Dr. C.V. Raman University
Kargi Road, Kota, BILASPUR, (C. G.),
Ph. : +07753-253801, +07753-253872
E-mail : info@cvru.ac.in | Website : www.cvru.ac.in

Institute of **Open** and **Distance Education**

Faculty of Management

Human Resource Management

4BBA6

DR. C.V. RAMAN UNIVERSITY
Chhattisgarh, Bilaspur
A STATUTORY UNIVERSITY UNDER SECTION 2(F) OF THE UGC ACT

4BBA 6
Human Resource Management

Subject Expert Team

Dr. Vivek Bajpai,
Dr. C.V. Raman University, Kota,
Bilaspur, Chhattisgarh

Dr. Rajeev H. Peters,
Dr. C.V. Raman University, Kota,
Bilaspur, Chhattisgarh

Dr. Niket Shukla,
Dr. C.V. Raman University, Kota,
Bilaspur, Chhattisgarh

Dr. Satish Sahu,
Dr. C.V. Raman University, Kota,
Bilaspur, Chhattisgarh

Dr. Archana Agrawal,
Dr. C.V. Raman University, Kota,
Bilaspur, Chhattisgarh

Dr. Vikas Kumar Tiwari,
Dr. C.V. Raman University, Kota,
Bilaspur, Chhattisgarh

Course Editor:

- **Dr. Kailash Sahu, Assistant Professor**
  Amity University, Raipur, Chhattisgarh

Unit Written By:

1. **Dr. Vivek Bajpai**
   Professor, Dr. C. V. Raman University

2. **Dr. Niket Shukla**
   Professor, Dr. C. V. Raman University

3. **Dr. Archana Agrawal**
   Associate Professor, Dr. C. V. Raman University

Published by: Dr. C.V. Raman University Kargi Road, Kota, Bilaspur, (C. G.), Ph. +07753-253801,07753-253872 E-mail: inf o@cvru.ac.in Website: www.cvru.ac.in.

CONTENTS

BLOCK 1

BLOCK 2

BLOCK 3

BLOCK 4

BLOCK I

UNIT

1

AN INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

CONTENTS

1.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Explain the evolution of human resource management
- Discuss the objectives and functions of human resource management
- Explain the scope and importance of HRM
- Understand the role of HR manager
- Describe the challenges and issues in human resource management

1.1 INTRODUCTION

HRM is concerned with managing the people resources of an organisation. In fact, managing human resources is the most crucial and challenging task that management has to perform, crucial because it is the key to sustainability in the present competitive world and challenging because no two individuals are alike. Now imagine the task of the human resource manager who has to satisfy not only the different set of needs of its people but also meet the overall organisational objective.

Human resource management is the only resource that is living part of the organisation. It is this living part which vibrates positive energy and leads to the planning, organising, controlling, coordinating and directing of the rest of the resources within the organisation. It is this sub-system which will ultimately lead to the overall growth of the organisation. Thus, human resource is a crucial sub-system in the process of management.

1.2 MEANING AND DEFINITIONS OF HRM

Human Resource Management is a process of bringing people and organisation together so that the goals of each are met. It is that part of the management process which is concerned with the management of human resource in an organisation. It tries to secure the best from people by winning their whole hearted co-operation.

It may be defined as the art of processing, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient manner.

It is concerned with the most effective use of people to achieve organisational and individual goals.

Human resource management is the process of managing the vibrating human resource in an organisation, so that the employee and employer will be able to achieve their respective objectives. In fact, human resource management is the most important asset for an organisation. The quality of human resource will determine its fate.

Human resource management is a series of decisions that affect the relationship between employees and employers; it affects many constituencies and is intended to influence the effectiveness of employees and employers. It is a continuous process of achieving organisational efficiency and equity. Changing condition expectations of the society, technology and employee's interest, affect the decision-making. Managing the dynamic process makes the human resource decisions more important and challenging. Moreover, human resources are frequently underutilised because employees often perform below their potential.

Now you must evaluate a few noteworthy definitions of Human Resource Management which are as follows:

"Human Resource Management refers to attracting, developing and maintaining an effective workforce".

(Ronald J. Ebert and Ricky W. Griffin)

"Human Resource Management is a term used to represent that part of an organisation's activities concerned with the recruitment, development and management of its employees".

(Wood and Wall)

"Human Resource Management signifies a process of management whereby a sustained synergy is maintained between the employees, the assigned task, the organisation and the environment. This is to ensure that organisational goals are attained and the employee achieves a competent level of performance and an agreeable degree of gratification".

(P.S. Van Dyk)

"Human Resource Management may be defined as the planned HR deployments and activities intended to enable an organisation to achieve its goals".

(Wright and McMahan)

"Human Resource Management can be defined as a strategic and coherent approach to the management of an organisation's most valued assets — the people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage".

(Michael Armstrong and Angela Baron)

"Human Resource Management is a strategic process and involves attracting, developing, and maintaining a talented and energetic workforce to support the organisation's mission, objectives and strategies".

(Schermerhorn)

"Human Resource Management is concerned with obtaining the best possible staff for an organization and having got them looking after them, so that they want to stay and give their best to their jobs".

(ML Cuming)

"Human Resource Management as that part of the phase of management dealing effectively with control and use of manpower as distinguished from other source of power".

(Dale Yoder)

"Human Resource Management is that part of management progress which is primarily concerned with the human constituents of an organization".

(FEL Brech)

"Human Resource Management as the science of human engineering".

(Edison)

"The term human resource can be thought of as the total knowledge, skill, creative abilities, talents and aptitudes of an organization's workforce, as well as the values, attitudes and beliefs of the individuals involved".

(According to Leon C. Megginson)

1.3 HISTORY OF HRM

In this section, you will learn about the "History of HRM". The field of HRM as it currently exists represents a crystallisation of a variety of historical and contemporary factors:

1. ***The Industrial Revolution:*** During this period, machines were brought in; technology made rapid progress; jobs were more fragmented where the worker did only a small portion of the total job; and specialisation increased speed and efficiency but left workers with dull, boring and monotonous jobs. Workers were treated like 'glorified machine tools'. Employers were keen to meet production targets rather than satisfy workers' demands. Government did very little to protect the interests of workers.

2. ***Scientific Management:*** To improve efficiency and speed *F. W. Taylor* advocated scientific management. Scientific management is nothing but a systematic analysis and breakdown of work into its smallest mechanical elements and rearranging them into their most efficient combination. In addition to the scientific study of the task itself, Taylor argued that individuals selected to perform the tasks should be as perfectly matched, physically and mentally, to the requirements of the task as possible and that overqualified individuals should be excluded. Employees should also be trained carefully by supervisors to ensure that they performed the task exactly as specified by prior scientific analysis. A differential piece rate system was also advocated by Taylor to provide an incentive for employees to follow the detailed procedures specified by supervisors.

3. ***Trade Unionism:*** Workers joined hands to protect against the exploitative tendencies of employers and the prohibitive, unfair labour practices through unions. Unions tried to improve the lot of workers through collective bargaining, resolving the grievances of workers relating to working conditions, pay and benefits, disciplinary actions, etc.

4. ***Human Relations Movement:*** The famous Hawthorne experiments conducted by *Elton Mayo* and his Harvard colleagues during 1930's and 1940's demonstrated that employee productivity was affected not only by the way the job was designed and the manner in which employees were rewarded economically, but by certain social and psychological factors as well. The human relations movement led to the wide scale implementation of behavioural science techniques in industry for the first time which included supervisory training programmes, emphasising support and concern for workers, programmes to strengthen the bonds between labour and management and counselling programmes whereby employees were encouraged to discuss both work and personal problems with trained counsellors. The movement was also influenced by the growing strength of unions during the late 1930's and 1940's.

5. ***Human Resources Approach:*** However, during early 60's the 'pet milk theory', (advocating that happy workers are productive workers or happy cows give more milk) of human relationists had been largely rejected. Recognising the fact that workers are unique in their own way – having individual needs. It was recognised that each employee is a unique and highly complex individual with different wants, needs and values. What motivates one employee may not motivate another and being happy or feeling good may have little or no impact on the productivity of certain employees. Slowly but steadily, the trend towards treating employees as resources or assets emerged.

You will find it important to note that "the Human Resource Approach assumes that the job or the task itself is the primary source of satisfaction and motivation to employees. The emphasis in the human resource approach is on individual involvement in the decisions made in the organisation". In addition, this approach emphasizes the following things:

- People do not inherently dislike work and if they are helped in establishing objectives, they want to achieve them.
- Most people can exercise a great deal more self-direction, self-control and creativity than required in their current jobs (Theory Y).
- The managers' basic job is to use the untapped human potential in the service of the organisation.
- The manager should create a healthy environment wherein all subordinates can contribute to the best of their capacities. The environment should provide a healthy, safe, comfortable and convenient place to work.
- The manager should provide for self-direction by the subordinates and they must be encouraged to participate fully in all important matters.
- Expanding subordinates' influence, self-direction and self-control will lead to direct improvements in operating efficiency.
- Work satisfaction may improve as a 'by-product' of subordinates making full use of their potential.

The contribution of behavioural science to management practice consists primarily of producing new insights rather than new techniques. It has developed and expanded into a useful way of thinking, about the role of the manager, the nature of organisations and the behaviour of an individual within an organisation.

1.4 EVOLUTION OF THE CONCEPT OF HRM

In this section, you will learn about the evolution of the concept of HRM. The early part of the century saw a concern for improved efficiency through careful design of work. During the middle part of the century emphasis shifted to the availability of managerial personnel and employee productivity. Recent decades have focused on the demand for technical personnel, responses to new legislation and governmental regulations, increased concern for the quality of working life, total quality management and a renewed emphasis on productivity. Let us look into these trends more closely by examining the transformation of personnel function from one stage to another in a chronological sequence:

Table 1.1: Evolution of the Personal Functions

Concept	What is it all about?
The Commodity concept	Labour was regarded as a commodity to be bought and sold. Wages were based on demand and supply. Government did very little to protect workers.
The Factor of Production concept	Labour is like any other factor of production, viz., money, materials, land, etc. Workers are like machine tools.
The Goodwill concept	Welfare measures like safety, first aid, lunch room, rest room will have a positive impact on workers' productivity.
The Paternalistic concept/ Paternalism	Management must assume a fatherly and protective attitude towards employees. Paternalism does not mean merely providing benefits but it means satisfying various needs of the employees as parents meet the requirements of the children.

Contd...

The Humanitarian concept	To improve productivity, physical, social and psychological needs of workers must be met. As Mayo and others stated, money is less a factor in determining output, than group standards, group incentives and security. The organisation is a social system that has both economic and social dimensions.
The Human Resource concept	Employees are the most valuable assets of an organisation. There should be a conscious effort to realise organisational goals by satisfying needs and aspirations of employees.
The Emerging concept	Employees should be accepted as partners in the progress of a company. They should have a feeling that the organisation is their own. To this end, managers must offer better quality of working life and offer opportunities to people to exploit their potential fully. The focus should be on Human Resource Development.

1.4.1 Growth in India

Now let us understand the phases of growth in India:

1. ***Early Phase:*** Though it is said that P/HRM a discipline is of recent growth, it had its origin dating back to 1800 B.C. For example, the minimum wage rate and incentive wage plans were included in the Babylonian Code of Hammurabi around 1800 B.C. The Chinese, as early as 1650 B.C. had originated the principle of division of labour and they understood labour turnover even in 400 B.C. The span of management and related concepts of organisation were well understood by Moses around 1250 B.C. and the Chaldeans had incentive wage plans around 400 B.C. Kautilya, in India (in his book *Arthashastra*) made reference to various concepts like job analysis, selection procedures, executive development, incentive system and performance appraisal.

2. ***Legal Phase:*** The early roots of HRM in India could be traced back to the period after 1920. The Royal commission on labour in 1931 suggested the appointment of labour officer to protect workers' interests and act as a spokesperson of labour. After Independence, The Factories Act 1948, made it obligatory for factories employing 500 or more workers. "In view of legal compulsions and the enumeration of duties the entire approach of organisations towards their personnel was to comply with the laws and keep the welfare officers busy with routine functions". Meanwhile two professional bodies, viz., the Indian Institute of Personnel Management (IIPM) Kolkata and the National Institute of Labour Management (NILM) Mumbai have come into existence in 1950's.

3. ***Welfare Phase:*** During the 1960's the scope of personnel function has expanded a bit, covering labour welfare, participative management, industrial harmony, etc. "In this period, the human relations movement of the West had also had its impact on Indian organisations". The legalistic preoccupations slowly gave way to harmonious industrial relations and good HR practices.

4. ***Development Phase:*** In 1960's and 70's, the HR professionals focused more on developmental aspects of human resources. The emphasis was on striking a harmonious balance between employee demands and organisational requirements. HRD has come to occupy a centre stage and a focal point of discussion in seminars, conferences and academic meets. The two professional bodies, IIPM and NILM, were merged to form the National Institute of Personnel Management (NIPM) at Kolkata.

Thanks to the pioneering efforts of Professors Udai Pareek and T.V. Rao, the 1980's brought about a revolutionary change in the thinking of corporate chiefs in India especially their outlook and attitude towards management of people. Companies have started recognising that human resources are the most important assets of an organisation. A healthy work climate is essential for people to develop their potentialities fully. Employee commitment would enhance if organisations are able to match organisational requirements with employee skills, knowledge and experience in a satisfactory manner. Where HRD (total involvement and full participation of an individual in his job and life) becomes a way of life, organisations begin to enjoy a kind of competitive 'edge' and begin to show superior performance.

You must understand that during the 1990's, organisational restructuring and cost cutting efforts have started in a big way-thanks to the pressures of liberalisation, privatisation and globalisation (LPG era) forcing companies to focus attention on employee capabilities product/service quality, speedy response, customer satisfaction, etc. Changing demographics and increasing shortages of workers with the requisite knowledge, skills and abilities have grown in importance. The issue of workforce diversity has assumed greater importance-in view of the cultural, religious social, regional backgrounds of workers, especially in global sized companies such as Reliance, Ranbaxy, Asian Paints, TISCO, Tata Motors, etc.

Post 2000, most organisations are pitted against global companies-wherever they are and made to compete with the best. The result: *HR is not being looked at as a luxury but being accepted as a compelling competitive necessity.* Thanks to the sub-prime crisis, markets all over the globe — commodities, stocks, currencies and what not — have become bottomless pits. Companies that have tried to build castles in the air through exotic financial and derivative products have been sent to burial grounds with electrifying speed. CEOs of these companies are made to watch the end game with utter dismay and total disbelief.

It is important to note that the survivors are compelled to sit back and take a relook at what happened and react to the eventual economic slump carefully. Survival of the fittest is the new corporate mantra. To this end, every company is trying to put their resources to best use. Corporate expansion plans have almost hit a plateau and CEOs openly declare that their top most priority is to retain their best people. Apart from talent acquisition and retention, leadership development, aligning and integrating people's performance with business goals, management of intellectual capital and compensation management would also be the key focus areas for HR managers.

In the coming years HR professionals, according to David Giannetto, author of *The Performance Power Grid,* need to, "use the economy to drive home the fact that providing quality service to customers and creating greater effectiveness and efficiency are the absolute best ways for your employees to help the business through the recession. Fear and the desire to keep your business up and running will unify your organisation in ways you likely haven't seen before". The ultimate goal: "Present a vision and path toward greater prosperity that everyone in your organisation will rally around," he says.

1.5 FEATURES OF HRM

HRM has the following features:

- ***Pervasive Force:*** HRM is pervasive in nature. It is present in all enterprises. It permeates all levels of management in an organisation.
- ***Action Oriented:*** HRM focuses attention on action, rather than on record keeping, written procedures or rules. The problems of employees at work are solved through rational policies.

- ***Individually Oriented:*** It tries to help employees develop their potential fully. It encourages them to give their best to the organisation. It motivates employees through a systematic process of recruitment, selection, training and development coupled with fair wage policies.
- ***People Oriented:*** HRM is all about people at work, both as individuals and groups. It tries to put people on assigned jobs in order to produce good results. The resultant gains are used to reward people and motivate them towards further improvements in productivity.
- ***Future Oriented:*** Effective HRM helps an organisation meet its goals in the future by providing for competent and well-motivated employees.
- ***Development Oriented:*** HRM intends to develop the full potential of employees. The reward structure is tuned to the needs of employees. Training is offered to sharpen and improve their skills. Employees are rotated on various jobs so that they gain experience and exposure. Every attempt is made to use their talents fully in the service of organisational goals.
- ***Integrating Mechanism:*** HRM tries to build and maintain cordial relations between people working at various levels in the organisation. In short, it tries to integrate human assets in the best possible manner in the service of an organisation.
- ***Comprehensive Function:*** HRM is, to some extent, concerned with any organisational decision which has an impact on the workforce or the potential workforce. The term 'workforce' signifies people working at various levels, including workers, supervisors, middle and top managers. It is concerned with managing people at work. It covers all types of personnel. Personnel work may take different shapes and forms at each level in the organisational hierarchy but the basic objective of achieving organisational effectiveness through effective and efficient utilisation of human resources, remains the same. "It is basically a method of developing potentialities of employees so that they get maximum satisfaction out of their work and give their best efforts to the organisation". (Pigors and Myers)
- ***Auxiliary Service:*** HR departments exist to assist and advise the line or operating managers to do their personnel work more effectively. HR manager is a specialist advisor. It is a staff function.
- ***Inter-disciplinary Function:*** HRM is a multi-disciplinary activity, utilising knowledge and inputs drawn from psychology, sociology, anthropology, economics, etc. To unravel the mystery surrounding the human brain, managers need to understand and appreciate the contributions of all such 'soft' disciplines.
- ***Continuous Function:*** According to Terry, HRM is not a one shot deal. It cannot be practised only one hour each day or one day a week. It requires a constant alertness and awareness of human relations and their importance in everyday operations.

1.6 SCOPE OF HRM

The scope of HRM is very wide. Research in behavioural sciences, new trends in managing knowledge workers and advances in the field of training have expanded the scope of HR function in recent years.

The Indian Institute of Personnel Management has specified the scope of HRM thus:

- ***Personnel Aspect:*** This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay off and retrenchment, remuneration, incentives, productivity, etc.
- ***Welfare Aspect:*** It deals with working conditions and amenities such as canteens, creches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.
- ***Industrial Relations Aspect:*** This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

1.7 OBJECTIVES OF HRM

The principle objectives of HRM may be listed thus:

- ***To help the organisation reach its goals:*** HR department, like other departments in an organisation, exists to achieve the goals of the organisation first and if it does not meet this purpose, HR department (or for that matter any other unit) will wither and die.
- ***To employ the skills and abilities of the workforce efficiently:*** The primary purpose of HRM is to make people's strengths productive and to benefit customers, stockholders and employees.
- ***To provide the organisation with well-trained and well-motivated employees:*** HRM requires that employees be motivated to exert their maximum efforts, that their performance be evaluated properly for results and that they be remunerated on the basis of their contributions to the organisation.
- ***To increase to the fullest the employee's job satisfaction and self-actualisation:*** It tries to prompt and stimulate every employee to realise his potential. To this end suitable programmes have to be designed aimed at improving the Quality of Work Life (QWL).
- ***To develop and maintain a quality of work life:*** It makes employment in the organisation a desirable, personal and social, situation. Without improvement in the quality of work life, it is difficult to improve organisational performance.
- ***To communicate HR policies to all employees:*** It is the responsibility of HRM to communicate in the fullest possible sense; tapping ideas, opinions and feelings of customers, non-customers, regulators and other external public as well as understanding the views of internal human resources.
- ***To be ethically and socially responsive to the needs of society:*** HRM must ensure that organisations manage human resource in an ethical and socially responsible manner through ensuring compliance with legal and ethical standards.

1.8 IMPORTANCE OF HRM

People have always been central to organisations, but their strategic importance is growing in today's knowledge-based industries. An organisation's success increasingly depends on the Knowledge, Skills and Abilities (KSAs) of employees, particularly as they help establish a set of core competencies that distinguish an organisation from its competitors. With appropriate HR policies and practices an organisation can hire, develop and utilise best brains in the marketplace, realise its professed goals and deliver results better than others.

Human resource management helps an organisation and its people to realise their respective goals thus:

1.8.1 At the Enterprise Level

Good human resource practices can help in attracting and retaining the best people in the organisation. Planning alerts the company to the types of people it will need in the short, medium and long run.

It helps in training people for challenging roles, developing right attitudes towards the job and the company, promoting team spirit among employees and developing loyalty and commitment through appropriate reward schemes.

1.8.2 At the Individual Level

Effective management of human resources helps employees thus:

- It promotes team work and team spirit among employees.
- It offers excellent growth opportunities to people who have the potential to rise.
- It allows people to work with diligence and commitment.

1.8.3 At the Society Level

Society as a whole, is the major beneficiary of good human resource practices.

- Employment opportunities multiply.
- Scarce talents are put to best use. Companies that pay and treat people well always race ahead of others and deliver excellent results.

1.8.4 At the National Level

Effective use of human resources helps in exploitation of natural, physical and financial resources in a better way. People with right skills, proper attitudes and appropriate values help the nation to get ahead and compete with the best in the world leading to better standard of living and better employment.

Good HR practices help

- attract and retain talent
- train people for challenging roles
- develop skills and competencies
- promote team spirit
- develop loyalty and commitment
- increase productivity and profits
- improve job satisfaction
- enhance standard of living
- generate employment opportunities

Figure 1.1: Importance of HRM

1.9 PERSONNEL MANAGEMENT VS. HUMAN RESOURCE MANAGEMENT

Contemporary Human Resource Management, as a part and parcel of management function, underscores strategic approach to management in areas of acquisition, motivation, and management of people at work. Human resource management derives its origin from the practices of the earlier personnel management, which assisted in the management of people in an organisational setup. Human resource management leverages setting up the systems and procedures for ensuring efficiency, controlling and providing equality of opportunities for all working for the organisation.

The major difference between personnel management vs. human resource management is that personnel management is the traditional approach and human resource management the modern approach toward managing people in an enterprise. Comparing personnel management vs. human resource management, personnel management is a predominantly administrative record-keeping function that aims to establish and maintain equitable terms and conditions of employment, whereas human resource management integrates the traditional personnel management functions to corporate goals and strategies, and performs additional people centered organisational developmental activities.

Significant difference exists between personnel management and human resource management in terms of scope, approach and application.

1.9.1 Differences in Scope

Human Resource Management is broader in scope than Personnel Management.

The scope of personnel management include functional activities such as manpower planning, recruitment, job analysis, job evaluation, payroll administration, performance appraisals, labour law compliance, training administration, and related tasks. Human resources management includes all these activities plus organisational developmental activities such as leadership, motivation, developing organisational culture, communication of shared values, and the like.

The human resource management approach remains integrated to the company's core strategy and vision, and seek to optimize the use of human resource for the fulfillment of organisational goals. This strategic and philosophical context of human resource management makes it more purposeful, relevant, and more effective compared to the personnel management approach.

1.9.2 Difference in Approach

The personnel management approach tends to attach much importance to norms, customs and established practices, whereas the human resource approach gives importance to values and mission.

The personnel management approach also concerns itself with establishing rules, policies, procedures, and contracts, and strives to monitor and enforce compliance to such regulations, with careful delineation of written contract. The human resource management approach remains impatient with rules and regulations, and tends to relax them based on business needs and exigencies, and aim to go by the spirit of the contract rather than the letter of the contract.

An illustration of this difference in approach lies in the treatment of employee motivation. The personnel management approach holds employee satisfaction as the key of keeping employees motivated, and institute compensation, bonuses, rewards, and work simplification initiatives as possible motivators. The human resource philosophy hold improved performance as the driver of employee satisfaction, and devise strategies such as work challenges, team work, and creativity to improve motivation.

1.9.3 Difference in Nature

Another dimension of the difference is approach between human resources vs. personnel management is the proactive nature of human resource management compared to the reactive nature of personnel management.

Personnel management remains aloof from core organisational activities, functions independently, and takes a reactive approach to changes in corporate goals or strategy. Human resource management remains integrated with corporate strategy and takes a proactive approach to align the workforce towards achievement of corporate goals.

For instance, while the personnel management approach concerns itself with a reactive performance appraisal process, human resource management approach has a more comprehensive and proactive performance management system that aims to correct performance rather than make a report card of past performance.

1.9.4 Difference in Application

Personnel management is an independent staff function of an organisation, with little involvement from line managers, and no linkage to the organisations core process. Human resource management on the other hand remains integrated with the organisations core strategy and functions. Although a distinct human resource department carries out much of the human resource management tasks, human resource initiatives involve the line management and operations staff heavily.

Personnel management also strives to reconcile the aspirations and views of the workforce with management interest by institutional means such as collective bargaining, trade union based negotiations and the like. This leads to fixation of work conditions applicable for all, and not necessarily aligned to overall corporate goals.

Human Resource Management gives greater thrust on dealing with each employee independently and gives more importance to customer-focused developmental activities and facilitating individual employees rather than bargaining or negotiating with trade unions.

Finally, you can see that personnel management lays down rigid job description with many grades and a fixed promotion policy — usually based on seniority and performance appraisal ratings. Human resource management on the other hand has relatively fewer grades and ranks, with broadly defined job responsibilities providing much scope for applying creativity and initiative, and plenty of career paths, with skills, talent and commitment the key drivers of career advancement.

1.10 FUNCTIONS OF HRM

The role of human resource management is to plan, develop, and administer policies and programmes designed to make expeditious use of an organisation's human resources. It is that part of management which is concerned with the people at work and with their relationship within an enterprise. These four areas and their related functions share the common objective of an adequate number of competent employees with the skills, abilities, knowledge, and experience needed for further organisational goals. Although each human resource function can be assigned to one of the four areas of personnel responsibility, some functions serve a variety of purposes. The compensation function facilitates retention of employees and also serves to attract potential employees to the organisation. A brief description of usual human resource functions is given below:

1. ***Human Resource Planning:*** In human resource planning function, the number and type of employees needed to accomplish organisational goals are determined.

Research is an important part of this function because planning requires the collection and analysis of information in order to forecast human resources supplies and to predict future human resources needs. The basic human resource planning strategy is staffing and employee development.

2. ***Job Analysis:*** Job analysis is the process of describing the nature of a job and specifying the human requirements, such as skills, and experience needed to perform it. The end product of the job analysis process is the job description. A job description spells out work duties and activities of employees. Job descriptions are a vital source of information to employees, managers, and personnel people because job content has a great influence on personnel programmes and practices.

3. ***Staffing:*** Staffing emphasises the recruitment and selection of the human resources for an organisation. Human resources planning and recruiting precede the actual selection of people for positions in an organisation. Recruiting is the personnel function that attracts qualified applicants to fill job vacancies. In the selection function, the most qualified applicants are selected for hiring from among those attracted to the organisation by the recruiting function. On selection, human resource functionaries are involved in developing and administering methods that enable managers to decide which applicants to select and which to reject for the given jobs.

4. ***Orientation:*** Orientation is the first step towards helping a new employee adjusts himself to the new job and the employer. It is a method to acquaint new employees with particular aspects of their new job, including pay and benefit programmes, working hours, and company rules and expectations.

5. ***Training and Development:*** The training and development function gives employees the skills and knowledge to perform their jobs effectively. In addition to providing training for new or inexperienced employees, organisations often provide training programmes for experienced employees whose jobs are undergoing change. Large organisations often have development programmes which prepare employees for higher level responsibilities within the organisation. Training and development programmes provide useful means of assuring that employees are capable of performing their jobs at acceptable levels.

6. ***Performance Appraisal:*** This function monitors employee performance to ensure that it is at acceptable levels. Human resource professionals are usually responsible for developing and administering performance appraisal systems, although the actual appraisal of employee performance is the responsibility of supervisors and managers. Besides providing a basis for pay, promotion, and disciplinary action, performance appraisal information is essential for employee development since knowledge of results (feedback) is necessary to motivate and guide performance improvements.

7. ***Career Planning:*** Career planning has developed partly as a result of the desire of many employees to grow in their jobs and to advance in their career. Career planning activities include assessing an individual employee's potential for growth and advancement in the organisation.

8. ***Compensation:*** Human resource personnel provide a rational method for determining how much employees should be paid for performing certain jobs. Pay is obviously related to the maintenance of human resources. Since compensation is a major cost to many organisations, it is a major consideration in human resource planning. Compensation affects staffing in that people are generally attracted to organisations offering a higher level of pay in exchange for the work performed. It is related to employee development in that it provides an important

incentive in motivating employees to higher levels of job performance and to higher paying jobs in the organisation.

9. ***Benefits:*** Benefits are another form of compensation to employees other than direct pay for work performed. As such, the human resource function of administering employee benefits shares many characteristics of the compensation function. Benefits include both the legally required items and those offered at employer's discretion. The cost of benefits has risen to such a point that they have become a major consideration in human resources planning. However, benefits are primarily related to the maintenance area, since they provide for many basic employee needs.

10. ***Labour Relations:*** The term "labour relations" refers to interaction with employees who are represented by a trade union. Unions are organisation of employees who join together to obtain more voice in decisions affecting wages, benefits, working conditions, and other aspects of employment. With regard to labour relations, the personnel responsibility primarily involves negotiating with the unions regarding wages, service conditions, and resolving disputes and grievances.

11. ***Record-keeping:*** The oldest and most basic personnel function is employee record-keeping. This function involves recording, maintaining and retrieving employee-related information for a variety of purposes. Records which must be maintained include application forms, health and medical records, employment history (jobs held, promotions, transfers, lay-offs), seniority lists, earnings and hours of work, absences, turnover, tardiness, and other employee data. Complete and up-to-date employee records are essential for most personnel functions. More than ever employees today have a great interest in their personnel records. They want to know what is in them, why certain statements have been made, and why records may or may not have been updated. Personnel records provide the following:

    - A store of up-to-date and accurate information about the company's employees.
    - A guide to the action to be taken regarding an employee, particularly by comparing him with other employees.
    - A guide when recruiting a new employee, e.g., by showing the rates of pay received by comparable employees.
    - A historical record of previous action taken regarding employees.
    - The raw material for statistics which check and guide personnel policies.
    - The means to comply with certain statutory requirements.

12. ***Personnel Research:*** All personnel people engage in some form of research activities. In a good research approach, the object is to get facts and information about personnel specifics in order to develop and maintain a programme that works. It is impossible to run a personnel programme without some pre-planning and post-reviewing. For that matter, any survey is, in a sense, research. There is a wide scope for research in the areas of recruitment, employee turnover, terminations, training, and so on. Through a well-designed attitude survey, employee opinions can be gathered on wages, promotions, welfare services, working conditions, job security, leadership, industrial relations, and the like. Inspite of its importance, however, in most companies, research is the most neglected area because personnel people are too busy putting out fires.

1.11 WHO IS HR MANAGER?

Human resource (HR) management (sometimes referred to as personnel management) includes the overall responsibility for recruitment, selection, appraisal, staff development and training, understanding and implementing employment legislation and welfare. HR managers may have responsibility for workforce planning or work for one or more directorates (for example surgery, day care or accident and emergency) where they will provide HR support and advice to the general manager responsible for that directorate.

Some senior HR managers (for example assistant directors of HR) will have broad areas of responsibility, such as operations or training, development and recruitment, and implementing national initiatives. HR professionals—carrying a variety of titles (Employee Relations Manager, People Manager, HR Manager, Human Resources Manager, etc.) — have many and varied roles across business and industry generally.

Human resources manager working in a specialist trust providing mental health services for adults, older people, children and adolescents and also substance misuse and specialist learning disabilities. In this example, the HR manager would take a lead role in the trusts human resources agenda and lead on specific corporate HR objectives. Key areas of responsibility would include: recruitment and retention of staff; maintenance of the attendance management process; handling formal grievance and disciplinary process and appeals; the design and delivery of training and development programmes; providing advice on principles and detail of employment legislation and good practice; the maintenance of effective employee relations including participation in local formal consultation machinery and processes of job evaluation, salary administration and reward management. In addition there would be the opportunity to play a key role in specific corporate HR projects such as improving working lives, and agenda for change.

Human resource managers are well positioned to play an instrumental role in helping their organisation achieve its goals of becoming a socially and environmentally responsible firm – one which reduces its negative and enhances its positive impacts on society and the environment. Further, human resource (HR) professionals in organisations that perceive successful corporate social responsibility (CSR) as a key driver of their financial performance can be influential in realising on that objective. While there is considerable guidance to firms who wish to be the best place to work and for firms who seek to manage their employee relationships in a socially responsible way, there is a dearth of information for the HR manager who sees the importance of embedding their firm's CSR values throughout the organisation, who wish to assist the executive team in integrating CSR into the company's DNA. And as high profile corporate failures such as Enron make all too clear, organisations that pay lip-service to CSR while neglecting to foster a CSR culture run the risk of damaging their corporate reputation if not their demise. Indeed, HR's mandate to communicate and implement ideas, policies, and cultural and behavioural change in organisations makes it central to fulfilling an organisation's objectives to "integrate CSR in all that we do". That said, it is important to understand that employee engagement is not simply the mandate of HR. Indeed people leadership rests with all departmental managers. HR's can facilitate the development of processes and systems; however, employee engagement is ultimately a shared responsibility. The more the HR practitioner can understand their leverage with respect to CSR, the greater their ability to pass these insights along to their business partners towards the organisation's objectives in integrating CSR throughout their operations and business model.

As a manager, you will be supporting staff at different stages of the cycle which is shown in Figure 1.2:

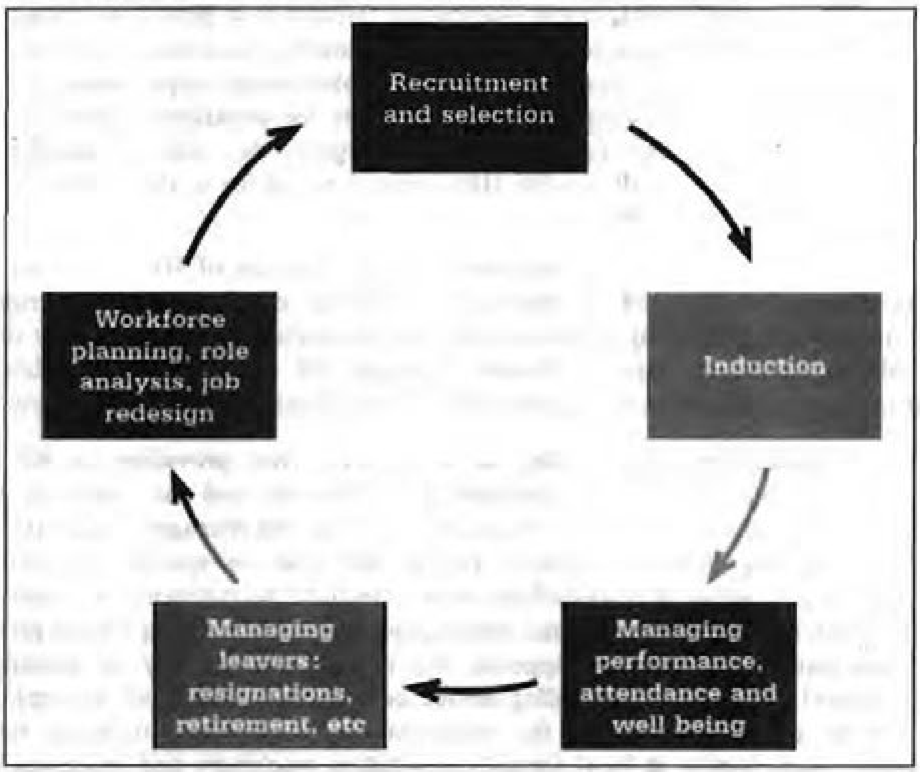


Figure 1.2: Employment Cycle

Developing as an effective manager requires you to know what your responsibilities are: your level of authority, your level of accountability, and the duties you are required to discharge as a manager and who is there to help you perform effectively. It also requires you to understand the organisation you work for, to understand the structure of the organisation, the mechanisms, the way it behaves and the reasons why it behaves in the way it does — the culture of the organisation.

A Human Resources generalist, manager, or director plays a wide variety of roles in organisations. Depending on the size of the organisation, these HR jobs may have overlapping responsibilities. In larger organisations, the HR generalist, manager, and director have clearly defined, separated roles in HR management. These roles bring progressively more authority and responsibility in the hands of the manager, then the director, and ultimately, the Vice President who may lead several departments including administration.

HR directors, and occasionally HR managers, may head up several different departments that are each led by functional or specialised HR staff such as the training manager, the compensation manager, or the recruiting manager.

Human Resources staff members are advocates for both the company and the people who work in the company. Consequently, a good HR professional performs a constant balancing act to meet both needs successfully.

1.12 ROLES AND RESPONSIBILITIES OF HR MANAGER

Many large, middle-sized and even small business organisations have a human resources department. The functional roles of an HR department remain the same regardless of the size of your business. As the name indicates, the department exists to manage and assist the human element of the company. Since human capital is the most important asset of any organisation, having an efficient and quality human resources department is key to the quality and success of the organisation.

The list below comprehends most of what is considered HR roles and responsibilities. However, there would be businesses that go outside the circle and structure the HR function is a different way from the usual. This fact simply demonstrates the complexity and potential of the role. The categories are listed alphabetically.

- ***Administration:*** Administration and day to day operations (e.g., wages and salary administration) — management and organisation — a critical function that has to be right.
- ***Analysis and reporting includes:***
    - Records and statistics — relevant information on the provision of labour and the many aspects of that — good information is important in making good decisions.
    - Benchmarking re-employee performance — business needs to know what are the goals.
    - Benchmarking business re-employee management — HR should test its own performance.
    - Forecasting and predicting re-staff and business issues — being ahead of competitors leads to success.
- ***Employment contracts, conditions and disputes includes:***
    - Employment conditions — 'packaging' and innovation.
    - Negotiation re-contracts with employees and others providing labour.
    - Answering employment entitlement queries — a day-to-day requirement.
    - Salary packaging.
    - Superannuation — entitlements, advice and guidance.
- ***Industrial relations includes:***
    - Negotiating and liaising with unions.
    - Dispute resolution — industrial action — collective action — the management of these events with the least damage to the business.
    - Dispute resolution — individuals' issues and problems — can involve EEO and other legally sensitive matters.
    - Answering industrial relations queries from management and employees.
- ***Intra-company communication includes:***
    - Liaison between staff and management — an important function in a well-run business.
    - Staying in touch with staff and hearing staff — a generally positive exercise that often rests with HR.
    - Staff surveys.
- ***Legal compliance:*** Legal compliance — very broad requirement — HR focus is obviously re: the supply of labour and employment issues.

- ***Career planning includes:***
  - Balancing work and personal lives re: employees.
  - Retirement planning (includes advice on superannuation).
- ***Recruitment:*** Recruitment and induction — a very important function for the success of the business and the employees of the business.
- ***Risk management includes:***
  - Risk Management culture — a business must be alert to risks.
  - Risk management re: the business and employees — specific work should be done to minimise risk and maximise productivity.
  - Promoting productivity — the positive side of risk management.
  - Managing absenteeism — major loss to business unless well-managed.
  - Workers compensation — managing at the worksite end and also liaising with insurers and senior management.
- ***Rules and culture includes:***
  - Policies and procedures — cut across all areas of employee involvement — they should be consistently reviewed.
  - Creating a culture of EEO (Equal Employment Opportunity).
  - Creating a culture of OHS (Occupational Health and Safety).
  - Occupational Health and Safety and EEO policies and procedures — both a legal and good governance imperative.
  - OHS and EEO reporting and training — necessary elements of the total picture.
- ***Staff assessment, job design, performance, remuneration includes:***
  - Staff assessment (promotion, demotion, re-direction) — has to be done well with staff support.
  - Counselling and managing performance.
  - Job design and structure.
  - Salary levels and salary packaging.
  - Altering contracts to reflect the changing role of employees.
- ***Strategic role in the business includes:***
  - Strategic role — advising top level management — a broad brief — variable depending on how the business perceives the role of HR.
  - Management development, succession planning, leadership development, organisational design.
  - Organisational development and redesign.
  - Planning on various levels — workforce, departmental, unit, individual — a variable — often determined by how the individual professional approaches the HR role.
  - Strategic planning — a general call — integrating HR role into the company's business.

- ***Termination of employment includes:***
  - Managing termination of employment — at all stages from the commencement of employment to its end.
  - Retrenchments — both the collective issues and individuals' issues.
  - Post-employment responsibilities re-employees — issues such as references must be managed properly.
- ***Training includes:***
  - Spreading the knowledge on 'people management' — delegating and/or handing over certain people management matters to other managers who deal directly with staff.
  - Training and innovative ways of using training to keep good people — keeping staff up to speed in their own areas and generally in the business environment in which they operate.

1.12.1 The Changing Human Resources Role

The role of the HR professional is changing to fit the needs of today's modern, fast changing organisations. In the past, because the original HR personnel functions were often provided by accounting, the HR role was focused on administrative tasks such as paying employees, administering benefits, and keeping track of sick and personal days off.

But, a more comprehensive approach to the management of people in the organisation was needed. Programs and processes that systematically hired employees, retained employees, and dealt with all aspects of talent management evolved in the best organisations. Then, the role evolved again. Still responsible for the administrative tasks and the programs and processes related to people, the best HR professionals are now leading the charge.

They are developing systems and processes within the organisation that address the strategic needs of the business. So, what was once the task of hiring employees is now the process of team-based hiring of the best possible talented employees who are recruited via methods that range from employee referrals to social media sourcing. These employees are also congruent with the company's culture. This is quite a different journey, one that continues to evolve.

1.12.2 New HR Role

The role of the HR manager must parallel the needs of this developing, changing organisation. Successful organisations are becoming more adaptable, resilient, quick to change direction, and customer-centered. They recognize that organisations will vie for talent in coming years. This recognition brings about the need for employee oriented workplaces and programs that meet the needs of employees for meaningful work, growth, challenge, communication and effective leadership.

Within this environment, the HR professional, who is respected by line managers and consequently, whose talents are utilised by managers, is responsible for new roles.

In Human Resource Champions, Dave Ulrich, one of the more popular speakers and writers in the HR field, and a professor at the University of Michigan, recommends three additional roles for the HR manager.

- a strategic partner,
- an employee sponsor or advocate, and
- a change mentor.

At the same time, especially the HR Generalist, still has responsibility for the day-to-day employee problems and complaints, employee benefits administration, often payroll, and employee paperwork, especially in the absence of an HR Assistant.

1.12.3 Skills of HR Professionals

In order to compete through people, HR managers have to do a good job of managing human capital — the knowledge, skills, and capabilities that add value to the organisations. They must develop strategies for hiring, training, evaluating, compensating and retaining people in the most appropriate manner. They must be able to integrate technology, processes and people with corporate strategy and deliver cost-effective services to the satisfaction of customers. To perform these diverse roles, HR managers must possess excellent qualities of head and heart, in addition to having state of the art HR competencies, business competencies and change management competencies.

- ***Personal Attributes:*** The HR manager, as in case of any other manager, must have initiative, resourcefulness, depth of perception, maturity in judgement and analytical ability. Freedom from bias would enable the personnel manager to take an objective view of management and workers. He must thus have intellectual integrity. Moreover, the HR manager should be through with labour laws. An understanding of human behaviour is essential to enable him to be familiar with human needs, wants, hopes and desires, values and aspirations, without which motivating people can be an onerous task. The HR manager should possess other personal attributes like:
    - *Intelligence:* This includes skills to communicate, articulate, moderate, understand, command over language, mental ability and tact in dealing with people intelligently, ability to draft agreements, policies, etc.
    - *Educational Skills:* HR manager should possess learning and teaching skills as he has to learn and teach employees about the organisational growth, need for and mode of development of individuals, etc.
    - *Discriminating Skills:* HR staff should have the ability and discretion to discriminate between right and wrong, between just and unjust, merit and demerit.
    - *Executing Skills:* HR manager is expected to execute the management's decisions regarding personnel issues with speed, accuracy and objectivity. He should be able to streamline the office, set standards of performance, while coordinating, controlling and creating productive work spaces.

  The HR manager is expected to have leadership qualities, deep faith in human values, empathy with human problems, visualising future needs of employees, organisation, government, trade unions, society, etc.

- ***Experience and Training:*** Previous experience is undoubtedly an advantage provided the experience was in an appropriate environment and in the same area. Training in psychological aspects of human behaviour, labour legislations and more specifically in personnel management and general management is an additional benefit. Experience in an enterprise in some other executive capacity can also help towards an appreciation of the general management problems and a practical approach in tackling personnel concerns issues.
- ***Professional Attitudes:*** Professional attitude is relevant, particularly in the Indian context. The HR manager's job, as in the case of other managers is getting professionalised. He should have patience and understanding and the ability to listen before offering advice. As mentioned earlier, he should have the knowledge

of various disciplines like technology, engineering, management, sociology, psychology, philosophy, human physiology, economics, commerce and law. He must be able to combine social justice with a warm personal interest in people which must be secured by an uncommon degree of common sense, compassion and integrity.

1.13 CHALLENGES IN HRM

There are number of human resource management challenges (HR Challenges) that need to be address as it is an important function of any organisation. These HR challenges are:

- Environmental challenges
- Organisational challenges
- Individual challenges

1.13.1 Environmental Challenges

The environmental challenges are related to the external forces that exist in the outside environment of an organisation and can influence the performance of the management of the organisation. These external forces are almost out of control of the management of the organisation. These can be regarded as threats to management and should be handled in a proactive manner.

Following are the list of human resource management challenges that considered as the environmental challenges.

- ***Rapid Change:*** The world is changing at a faster rate because change is constant from several centuries. So the management of the organisations should be quickly adaptive to the changing requirement of the environment otherwise they become obsolete from the market. The human resource management of an organisation plays a basic role in response to the environmental change. The HR department should adopt such policies that can avail the new opportunities of the environment and keep the organisation away from the newly emerging threats.
- ***Work Force Diversity:*** The changing environment provides both the opportunities and threats to the human resource management of the organisation. The HR manager should adopt such policies that can make possible the diverse work force of employees. Although on one hand diversity creates big problem but in the long run, the survival and performance of the organisation is flourished.
- ***Globalisation:*** One of the serious issues that today's organisations are facing is the issue of globalisation. The world is converting into global business and severe competition is started between domestic and foreign companies. Such competition results in the laying off the effective workforce of the organisation. The HR department can play an important role in keeping the culture of the organisation as global and wider.
- ***Legislation:*** It is the old environmental challenge that is faced by organisation since many decades. There are certain labour laws that are declared by the government for the benefits of working employees. Some of these laws are disadvantageous to the interests of the organisations so it is a one of the big challenges for the HRM to implement all those labour laws within the organisations. If any of such law is violated, serious actions are taken by the relevant government authority that may result into serious penalty for the management of the organisation.

- ***Technology:*** The technology is also growing with great speed especially in the field of computer and telecommunication. New methods are emerging that quickly dominates the older ones and makes them obsolete. Therefore, the skills required by the employees also changes with the changing technology and this would compel the worker to advance the skills three to four times throughout their working lives. So there comes a burden on the HR department to constantly update the skills and expertise of their employees.
- ***Job and Family Roles:*** In recent years, dual-career families are increasing in which both the wife and husband work. This creates a serious burden on the women that they have to give time to their families also. In many organisations the policies of HR favours the employment of more than 10 years. The working hours of the organisations are also strict and tight for the employees. Moreover, the selection and training procedures are too tough and time consuming so most of the talented women hesitate to join any organisation which would result in the wastage of talent and potential. Even working men also suffer from these employment policies because they do not properly give time to their families. So the challenges for the HRM increases with this particular issue and special favourable working policies are needed to be employed in all organisations.
- ***Lack of Skills:*** The service sector development is expanding due to many reasons like change in the tastes and preference of customers, technological change, legal change, etc. All of this affected the structure and managing style of the business organisations. The skills required in the employment of service sector is also advancing but the graduates of the technical colleges and universities are groomed according to the latest requirements. Therefore, most of the employees lack the standard required skills to perform their duties and it becomes a big challenge for HRM to properly train these new and old employees to become an efficient and effective workers.

1.13.2 Organisational Challenges

The organisational challenges for the HRM are related to the factors that are located inside the organisation. Although these challenges are evolved as a by-product of the environmental challenges but these can be control by the management of the organisation to much extent. The proactive HR managers take notice of such challenges in advance and take corrective measures before these would convert into serious issues. The human resource management challenges within the organisation include competitive position and flexibility, organisational restructuring and issues of downsizing, the exercise of self-managed teams, development of suitable organisational culture, etc.

When the workforce of an organisation is effectively used in combination with other factor of production, the opportunities of the environment are availed and the threats are eliminated. The competitive position of the organisation can be influenced by the policies of HR in the following ways.

- ***Controlling Costs:*** An organisation can avail the competitive position by lowering its cost and strengthening its cash flows. For this purpose, the labour cost of the organisation is minimised through effective compensation system that adopts innovative reward strategies for good performances. In this way the favourable behaviours of the employees are rewarded so the organisation would get the ultimate advantage. Moreover the policies of compensation should keep the labour cost under control. The effective employees should be selected that keep with the organisation for a longer duration and proper training should also be provided to these employees. The HR department should also restore the work of the employees along with the improvement in the health and safety issue of working environment. All of these efforts would limit the cost of labour.

- ***Improving Quality:*** The quality improvement can lead an organisation towards competitive advantage. The total quality management programs are employed that improves all the processes within the organisation which would ultimately result in the improvement of the final product or service.
- ***Developing Distinctive Capabilities:*** Another method of gaining competitive advantage is to employ the people that have distinct capabilities to develop extra ordinary competence in specific area.
- ***Restructuring:*** Another technique is the restructuring of the organisation in which the methods of performing different functions are altered positively. In case of HR department, the majority of functions are still performed within the organisation. In some organisations the major functions of HR department are now transferred to the other parties in the shape of outsourcing, shared service centre, etc. The sizes of HR department in those organisations are shrinking because most of functions are performed by outsiders. But in most of the organisations the HR manager performs all the relevant functions of HRM. The HR department is now involved in the mission oriented and strategic activities.

1.13.3 Individual Challenges

The decisions related to the specific individual employees are included in the individual challenges for the HRM. The organisational issues are also affected by the fact that how employees are treated within the organisations. The problems related to the individual level are as follow:

- ***Productivity:*** Productivity is defined as the measure of the value that an employee can add to the final product or service of the organisation. The increased output per employee is reflected as increased productivity. Ability and motivation are two important factors that affect the employee productivity. The ability of the employee can be improved by the hiring and replacement along with the proper training and career development. On the other high quality of work life serves as accelerator to the motivational factor of the employees.
- ***Empowerment:*** In the modern days many organisations make changes in such a way that their individual employees exert more control on their work as compared to their superiors. This individual control of employees is called empowerment which helps the employees to work with enthusiasm, commitment and learn new skills because they make more normal decisions about their work by themselves and hence enjoy their work.
- ***Brain Drain:*** One of the challenges for HRM is the detachment of the key potential employees from the organisation which links with the competitors for higher remunerations, etc. In such cases the organisation loses its intellectual property and in many situations the leaving employees at the higher levels also take with them the potential lower level employees. This brain drainage is becoming serious issue in the high-tech companies.
- ***Ethics and Social Responsibility:*** Under this challenge, the organisations make an effort to benefit some portion of the society. This is now considered to be the social responsibility of the organization to show favourable behaviour towards the society. The ethics serves as the basic principle for the socially behaviour of the organisations. Within organisations, the HR departments develop a code of conduct and principles of code of ethics that serve as the guidance for the personal

behaviour of the employees of the organisations. The employees also expect to show favourable decisions from the management.

- ***Job Insecurity:*** In the recent years, restructuring and downsizing develops the sense of insecurity of job within the employees of the organisations. Now many employees only desire to get a steady job rather than a job with promotional future. Even most successful organisations lay off its employees in the period of cut throat competition. The stock market also shows favourable results when layoffs has been made. All these things create a fear among employees about the insecurity of their jobs which would hinder their effective performance.
- ***Matching People and Organisations:*** It has been proved from the research that the HR department contributes to the profitability of the organisation when it makes such policies of employee selection in which those employees are selected and retained that best suits the culture of the organisation and its objectives. For example it is proved from research that those employees would become beneficial for the high-tech companies that can work in risky, uncertain environment having low pay. In short it is an important challenge for the HR department to hire and keep such employees whose abilities and strengths would match the requirements and circumstances of the organisation.

Check Your Progress

Fill in the blanks:

1. __________ movement was also influenced by the growing strength of unions during the late 1930's and 1940's.
2. The ___________approach tends to attach much importance to norms, customs and established practices.
3. __________is the first step toward helping a new employee adjusts himself to the new job and the employer.
4. The full form of EEO is___________.
5. The ___________challenges are related to the external forces that exist in the outside environment of an organization and can influence the performance of the management of the organisation.
6. _________is defined as the measure of the value that an employee can add to the final product or service of the organisation.

1.14 LET US SUM UP

- People have always been central to organisations but their strategic importance is increasing in today's knowledge based industries. HRM is responsible for the people dimension of the organisation. It is a pervasive force, action-oriented, individually-oriented, development-oriented, future-focused, and integrative in nature and is a comprehensive function.
- HRM mainly covers three broad areas: personnel aspect, welfare aspect, and industrial relations aspect. HRM aims at achieving organisational goals meet the expectations of employees; develop the knowledge, skills and abilities of employees, improve the quality of working life and manage human resources in an ethical and socially responsible manner.
- From an organisational standpoint, good HR practices help in attracting and retaining talent, train people for challenging roles, develop their skills and

competencies, increase productivity and profits and enhance standard of living. HR can be a source of competitive advantage, when the talents of people working in the company are valuable, rare; difficult to imitate and well organised to deliver efficient and effective results.

- Human resource (HR) management (sometimes referred to as personnel management) includes the overall responsibility for recruitment, selection, appraisal, staff development and training, understanding and implementing employment legislation and welfare. Human resource managers are well positioned to play an instrumental role in helping their organisation achieve its goals of becoming a socially and environmentally responsible firm – one which reduces its negative and enhances its positive impacts on society and the environment.
- A Human Resources generalist, manager, or director plays a wide variety of roles in organisations. The functions of an HR professional should focus on the company's greatest resource of all – its employees. HR is an advocate for employees. The functions of an HR Professional are to make sure that all employees are treated fairly and equitably and that the needs of the business are balanced against the needs of the employees.
- The functional roles of an HR department remain the same regardless of the size of your business. The role of the HR professional is changing to fit the needs of today's modern, fast changing organisations. Successful organisations are becoming more adaptable, resilient, quick to change direction, and customer-centered. In order to compete through people, HR managers have to do a good job of managing human capital — the knowledge, skills, and capabilities that add value to organisations. Successful managers have to anticipate and adjust to such changes quickly rather than being passively swept along or caught unprepared.

1.15 LESSON END ACTIVITY

What skills and competencies do HR professionals need to add more value to the HR function? How might these competencies and skills change in the future? How can HR professionals ensure that they are creating value for their organisations?

1.16 KEYWORDS

Management: The process of efficiently achieving the objectives of the organisation with and through people.

Human Resource Management (HRM): A process of bringing people and organisations together so that the goals of each one are met, effectively and efficiently.

Productivity: The ratio of an organisation's outputs to its inputs.

Employee Development: A kind of future oriented training, focusing on the individual growth of the employee.

HR Planning: Process of identifying human resource needs and formulating plans to meet these needs.

Job Analysis: Job analysis is the process of describing the nature of a job and specifying the human requirements such as skills, and experience needed to perform it.

Manager: An individual who is in charge of a certain group of tasks, or a certain subset of a company.

Corporate Social Responsibility (CSR): Corporate Social Responsibility (CSR) is defined as the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner.

1.17 QUESTIONS FOR DISCUSSION

1. Define "HRM". Outline its objectives.
2. Why has the HRM function increased in stature and influence in many organisations?
3. Distinguish between Personnel Management vs. Human Resource Management.
4. Highlight the importance of HRM.
5. Are people always an organisation's most valuable asset? Why or why not?
6. Discuss scope of HRM.
7. "HR managers are well positioned to play an instrumental role in helping their organisation achieve its goals of becoming a socially and environmentally responsible firm". Discuss.
8. Highlight the roles and responsibilities of HR manager.
9. Describe the skills required by HR professionals.
10. Highlight the challenges and issues in human resource management.
11. Why is it correct to say that all managers are involved in the HRM function?
12. Why has the HRM function increased in stature and influence in many organisations?
13. Discuss the administrative roles of HRM.
14. Write down the phases of HRM.
15. Write down a short note on evolution of HRM.

Check Your Progress: Answers

1. Human relations
2. Personnel management
3. Orientation
4. Equal Employment Opportunity
5. Environmental
6. Productivity

1.18 REFERENCE/ SUGGESTED READINGS

Armstrong, M. (2020). *Armstrong's handbook of reward management practice* (6th ed.). Kogan Page.

Bhattacharyya, D. K. (2021). *Compensation management: A strategic approach*. Oxford University Press.

Dessler, G. (2022). *Human resource management* (17th ed.). Pearson Education.

Gupta, C. B. (2020). *Wage and salary administration in India: Principles, policies, and practices*. Journal of Human Resource Management, 16(3), 34-56.

Mathis, R. L., & Jackson, J. H. (2019). *Human resource management: Compensation and benefits* (15th ed.). Cengage Learning.

Rao, T. V. (2021). *Job evaluation: Concepts, methods, and applications in compensation management*. Indian Journal of Industrial Relations, 57(2), 42-58.

Torrington, D., Hall, L., & Taylor, S. (2022). *Compensation and wage policy in modern organizations* (11th ed.). Pearson Education.

Chand, S., & Mehta, R. (2022). *Wage policy and its impact on employee motivation in Indian industries*. Journal of Labour Economics, 15(2), 56-71.

UNIT 2

STRATEGIC HRM

CONTENTS

2.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Define the term strategic human resource management
- Explain the relevance of competitive advantage
- Discuss HRM and its role in creating competitive advantage
- Explain the concept of creating strategic HRM system

2.1 INTRODUCTION

While formulating the strategic plan HR management can play a vital role, especially in identifying and analysing external threats and opportunities. Environmental scanning that may be crucial to the company's success. HR management can also offer competitive intelligence (like new incentive plans being used by competitors, data regarding customer complaints, etc.) that may be helpful while giving shape to strategic plans.

Globalisation, deregulation and technological innovation have in recent times- created the need for rather, faster and more competitive organisations. Under the circumstances, employee behaviour and performance is often seen as the best bet to push competitors to a corner and enhance productivity and market share. HR practices build competitiveness because they allow for strategic implementation, create a capacity for change and instil strategic unity.

2.2 STRATEGIC HUMAN RESOURCE MANAGEMENT

SHRM is the pattern of planned human resource developments and activities intended to enable an organisation to achieve its goals (Wright and McMahan). This means accepting the HR function as a strategic partner in both the formulation of the company's strategic, as well as in the implementation of those activities through HR activities. HR function can also throw light on company's internal strengths and weaknesses. For example, IBM's decision to buy Lotus was probably prompted in part by IBM's conclusion that its own human resources were inadequate for the firm to reposition itself as an industry leader in networking systems (Dessler). Some firms even develop their strategies based on their own HR- based competitive advantage. Software Majors, Wipro, TCS have not slowed down their recruitment efforts during the lean periods, pinning hopes on their own exceptionally talented employee teams. In fact they have built their strategic and operating plans around outsourcing sourcing contracts from US, Europe, Japan and Germany which would help them exploit the capabilities of their employees fully.

If a firm's competitiveness depends on its employees, then the business function responsible for acquiring, training, appraising and compensating those employees has to play a bigger role in the firm's success. The notion of employees as competitive advantage has therefore led to new field of study known as *strategic human resource management*, "the linking of HRM with strategic goals and objectives in order to improve business performance and develop organisational cultures that foster innovation and flexibility". Ideally, HR and top management together craft the company's business strategy. That strategy then provides the framework that guides the design of specific HR activities such as recruiting and training. This should produce employee competencies and behaviours that in turn should help the business implement its business strategy and realise its goals. HR strategies are the courses of action that HR uses to help the company achieve its strategic aims.

SHRM is built around three important propositions:

- The human resources of a firm are a major source of competitive advantage; in a way, people can make or break an organisation.
- Successful organisational performance depends on a close fit between business and human resource strategy (vertical fit).
- Individual HR strategic should cohere by being linked to each other to offer mutual support (horizontal fit).

HR has a great role to play in the execution of strategies. For example, HDFC's competitive strategy is to differentiate itself from its competitors by offering superior customer service at attractive rates (searching the right property, finishing legal formalities, offering expert advice while negotiating the deal, competitive lending rates, fast processing of applications, offering other financial products of HDFC at concessional rates, door-to-door service as per customers' choice, etc. (HDFC's growth architecture, Business Today, Jan 6, 2001). Since the same basic services are offered by HDFC's competitors such as LIC Housing Finance GIC Housing Finance, banks and private sector, players like Dewan Housing Finance, Ganesh Housing, Live Well Home, Peerless Abasan, etc. HDFC's workforce offers a crucial competitive advantage (highly committed, competent and customer-oriented workforce). HR can help strategy implementation in other ways. It can help the firm carry out restructuring and downsizing efforts without rubbing employees on the wrong side say, through outplacing employees, linking rewards to performance, reducing welfare costs, and retraining employees. HR can also initiate systematic efforts to enhance skill levels of employees so that the firm can compete on quality.

2.3 USING HRM TO ATTAIN COMPETITIVE ADVANTAGE

A company's human resources are its most fundamental source of competitive advantage. When they get inspired and work to their full potential, people can bring a lot to the table. They can bring smiles to customers through unmatched service and winning ways of doing things. They can combine the scarce organisational inputs in such a wonderful manner; the end result could be stunningly superior and vastly different from the one offered by a rival firm. The expertise, knowledge and experience that capable employees of an organisation possess could often spell the difference between success and failure in the corporate world. **Competitive advantage** is the ability of a firm to win consistently over the long-term in a competitive situation. Competitive advantage occurs if customers perceive that they receive value from their transaction with an organisation. It occurs when the firm does something that others cannot do or does it better than others. For example, Dell has a competitive edge over its rivals, arising out of its exceptional ability to create a direct selling e-commerce channel that is highly responsive to customers.

Competitive advantage refers to the ability of an organisation to formulate strategies to exploit rewarding opportunities, thereby maximising its return on investment. Competitive advantage occurs if customers perceive that they receive value from their transaction with an organisation. This requires single-minded focus on customer needs and expectations. To achieve this, the organisation needs to tune its policies in line with changing customer's requirements. The second principle of competitive advantage derives from offering a product or service that your competitor cannot easily imitate or copy. An organisation should always try to be unique in its industry along dimensions that are widely valued by customers. For example Apple stresses its computers' usability, Mercedes Benz stresses reliability and quality; Maruti emphasises affordability of its lower-end car Maruti 800. In order to enjoy the competitive advantage, the firm should be a cost-leader, delivering value for money. It must have a committed and competent workforce. Workers are most productive if (i) they are loyal to the company, informed about its mission, strategic and current levels of success, (ii) involved in teams which collectively decide how things are to be done and (iii) are trusted to take the right decisions rather than be controlled at every stage by managers above them (Thompson). A good team of competent and committed employees will deliver the goals if they are involved in all important activities and are encouraged to develop goals that they are supposed to achieve. In recent years, a new line of thinking has emerged to support this view-known as Strategic Human Resources Management (SHRM).

Human resource professionals have, more or less, agreed now that the key to a firm's success depends on a set of core competencies—in the form of employee skills, knowledge, experience and the ability to use these to the advantage of the firm when required—that separate the firm from its rivals and deliver value to customers. Most often, a core competence (may also be viewed as a competitively superior resource strength) is knowledge based, residing in people and in a company's intellectual capital and not in its assets or the balance sheet (Thompson et al., 2006). Example: Federal Express has core competencies in package routing, deliver and employee relations.

Generally speaking, core competencies tend to be limited in number but they definitely offer a solid basis for technology innovation, product development and service delivery. It must also be remembered here that it is not enough for an organisation to possess valuable resources that offer competencies; those resources have to be managed in a way that gives the organisation an edge over competition. Organisations can achieve a sustained competitive advantage through people if they meet the following conditions:

- ***Superiority:*** This requires single-minded *focus on customer needs and expectations*. To achieve this, the organisation needs to tune its policies in line with changing customer's requirements and deliver superior service. For example, Federal Express was one of the first companies to introduce package tracking capability. It created a system for tracking a package all along its path. Obviously, it was better than UPS at finding where a customer's package was. HR can bring that plus value to the firm by hiring the best talent that actually matches with organisational culture. Organisations will have to invest heavily in their human resources in order to be competitive during the twenty-first century. Human resources become a source of strength when they find ways to reduce costs, offer something unique to customers and thereby improve the efficiency or effectiveness of a company.
- ***Inimitability:*** Superiority alone does not guarantee competitive advantage. To gain the edge, the firm must erect barriers that are insurmountable. That is, it must offer a product or service that is not easy to imitate or copy. An organisation should always try to be unique in its industry along dimensions that are widely valued by customers. For example, Disney's theme parks are often quoted as having a competitive advantage in friendly, smiling employees. Now, is it easy for other firms to replicate this? If the answer is yes, Disney's superior advantage will soon disappear. But how easy is it to find and keep employees who can smile for hours on end even while being asked where the nearest restroom is for the ten-thousandth time that day? The harder it is for other firms with theme parks to hire, develop and keep friendly employees, the longer Disney's competitive advantage will persist. Through employee friendly policies and practices, HR can instill confidence in people and inspire them to give their best to the organisation. Both Southwest Airlines and Starbucks are known for creating unique cultures that get the most from employees and are difficult to imitate.
- ***Durability:*** For over two decades, some analysts even now argue, the Disney brand was largely neglected especially after the death of Walt Disney. It nonetheless endured in the minds of children and their parents. Again, what is the glue that holds employees together in HDFC to be able to offer home loan products to individuals for over two decades—with surprisingly low attrition rates when compared to rivals'—and deliver superior returns to shareholders at the same time? IBM and GE have, over the years, perfected the art of blending the diverse skill sets of people and deploying them on challenging assignments at a moment's notice.
- ***Non-substitutability:*** Competitive advantage demands a low possibility of substitution. Substitution is concerned with whether or not the customer's need that you fulfill can be met through alternative ways. It is not possible to sustain a competitive advantage over extended periods of time. After the emergence of Internet, students have almost forgotten Encyclopedia Britannica (and its 30 bound volumes as ready sources of information). The best way to maintain leadership is to continually seek new forms of advantage through constant experimentation, innovative efforts and investments in latest technology. In order to enjoy the competitive advantage, the firm should be a cost-leader, delivering value for money.
- ***Appropriability:*** This is a funny way of asking whether you actually end up making profits that are above the average for a comparable set of firms. In other

words, you may have a smaller share of the market, but you are able to ride over the market, enjoying supernormal returns, enjoying usually a cost advantage.

To deliver superior value and offer unmatched service, every firm requires the services of a committed and competent workforce. There is increasing research evidence indicating that employees are most productive if (i) they are loyal to the company, informed about its mission, strategic and current levels of success, (ii) involved in teams which collectively decide how things are to be done and (iii) are trusted to take the right decisions rather than be controlled at every stage by managers above them (*Thompson*).

2.4 TRADITIONAL HR VERSUS STRATEGIC HR

SHRM realises that people can make or break an organisation because all decisions made regarding finance, marketing operations or technology are made by an organisation's people. So it accords highest priority to managing people and tries to integrate all HR programmes and policies with the overall corporate strategy. It compels people at all levels to focus more on strategic issues rather than operational issues. More importantly, it believes that there is no best way to manage people in any given organisation. Even within a given industry, HR practices can vary extensively, from one organisation to another. Armed with such a flexible approach, SHRM tries to develop a consistent, aligned collecting of practices, programmes and policies to facilitate the achievement of the organisation's strategic objectives.

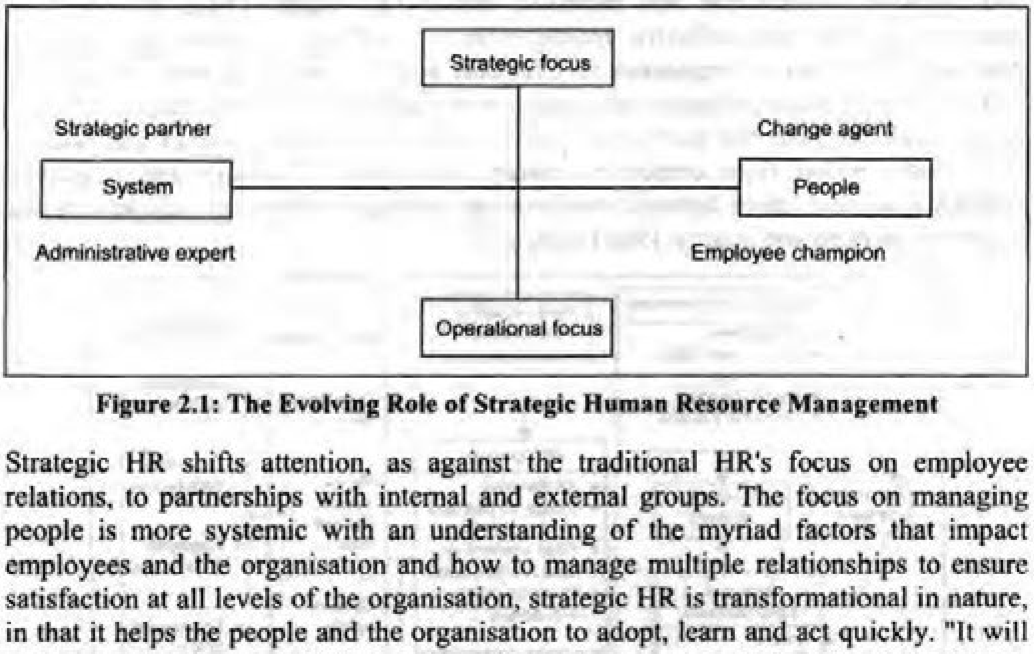


Figure 2.1: The Evolving Role of Strategic Human Resource Management

Strategic HR shifts attention, as against the traditional HR's focus on employee relations, to partnerships with internal and external groups. The focus on managing people is more systemic with an understanding of the myriad factors that impact employees and the organisation and how to manage multiple relationships to ensure satisfaction at all levels of the organisation, strategic HR is transformational in nature, in that it helps the people and the organisation to adopt, learn and act quickly. "It will make sure that change initiatives that are focused on creating high performance teams, reducing cycle time for innovation, or implementing new technology are defined, developed and delivered in a timely way" (ULRICH, 1998). Strategic HR is proactive and considers various time frames in a flexible manner. Likewise it permits employees to process work and carry out job responsibilities in a free-flowing way. Rather than being enveloped by tight controls and excessive regulations, operations are controlled by whatever is necessary to succeed, and control systems are modified as needed to meet the changing conditions. Job design is organic, specialisation is replaced by cross training and independent tasks are replaced by teams, encouraging autonomy at various levels. Above all, strategic HR believes that the organisation's key assets are its people. It realises that an organisation can have competitive edge over its rivals if it is able to attract and retain knowledge workers who can optimally utilise and manage the organisation's critical resources. In the final analysis people are the organisation's only sustainable competitive advantage [Pfeffer, 1994]. While running the show, strategic HR, of course, argues that any individual in an organisation that has responsibility for people is an HR manager, regardless of the technical area in which he or she works. (See Table 2.1)

Table 2.1: Traditional HR versus Strategic HR

Point of distinction	Traditional HR	Strategic HR
Focus	Employee Relations	Partnerships with internal and external customers
Role of HR	Transactional change follower and respondent	Transformational change leader and initiator
Initiatives	Slow, reactive, fragmented	Fast, proactive and integrated
Time horizon	Short-term	Short, medium and long (as required)
Control	Bureaucratic-roles, policies, procedures	Organic-flexible, whatever is necessary to succeed
Job design	Tight division of labour; independence, specialisation	Broad, flexible, cross-training teams
Key investments	Capital, products	People, knowledge
Accountability	Cost centre	Investment centre
Responsibility for HR	Staff specialists	Line managers

Strategic HR offers three critical outcomes: increased performance enhanced customer and employee satisfaction and increased shareholder value. These outcomes are accomplished through effective management of staffing, retention and turnover processes, selection of employees that fit with both the organisational strategy and culture, cost-effective utilisation of employees through investment in identified human capital with the potential for higher return; integrated HR programmes and policies that clearly follow from corporate strategy; facilitation of change and adaptation through a flexible, more dynamic organisation; and tighter focus on customer needs, emerging markets and quality. (See Figure 2.2)

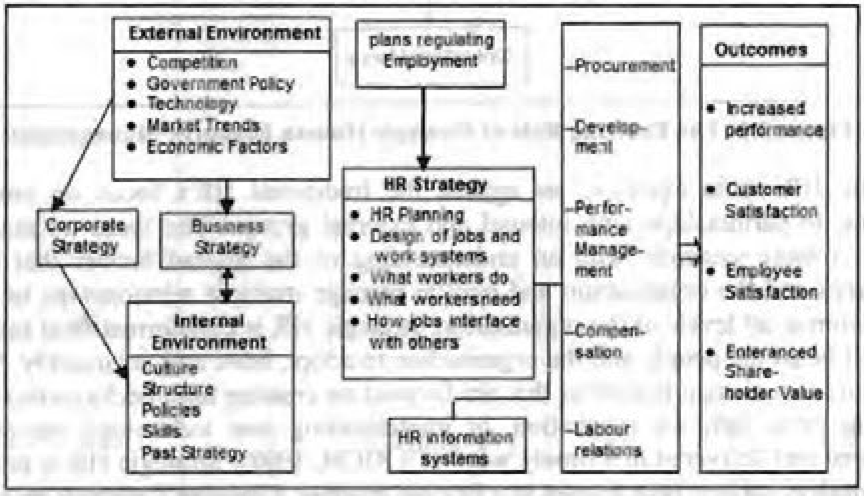


Figure 2.2: A Model of Strategic Human Resources Management

The field of Personnel/Human Resource Management (P/HRM) as it currently exists represents a crystallisation of a variety of historical and contemporary factors:

1. ***Industrial Revolution:*** During this period machines were brought in; technology made rapid progress; jobs were more fragmented where the worker did only a small portion of the total job; and specialisation increased speed and efficiency but left workers with dull, boring and monotonous jobs. Workers were treated like

'glorified machine tools'. Employers were keen to meet production targets rather than satisfy workers' demands. Government did very little to protect the interests of workers.

2. ***Scientific Management:*** To improve efficiency and speed F.W. Taylor advocated scientific management. Scientific management is nothing but a systematic analysis and breakdown of work into its smallest mechanical elements and rearranging them into their most efficient combination. In addition to the scientific study of the task itself, Taylor argued that individuals selected to perform the tasks should be as perfectly matched, physically and mentally, to the requirements of the task as possible and that overqualified individuals should be excluded. Employees should also be trained carefully by supervisors to ensure that they performed the task exactly as specified by prior scientific analysis. A differential piece rate system was also advocated by Taylor to provide an incentive for employees to follow the detailed procedures specified by supervisors.

3. ***Trade Unionism:*** Workers joined hands to protect against the exploitative tendencies of employers and the prohibitive, unfair labour practices through unions. Unions tried to improve the lot of workers through collective bargaining, resolving the grievances of workers relating to working conditions, pay and benefits, disciplinary actions, etc.

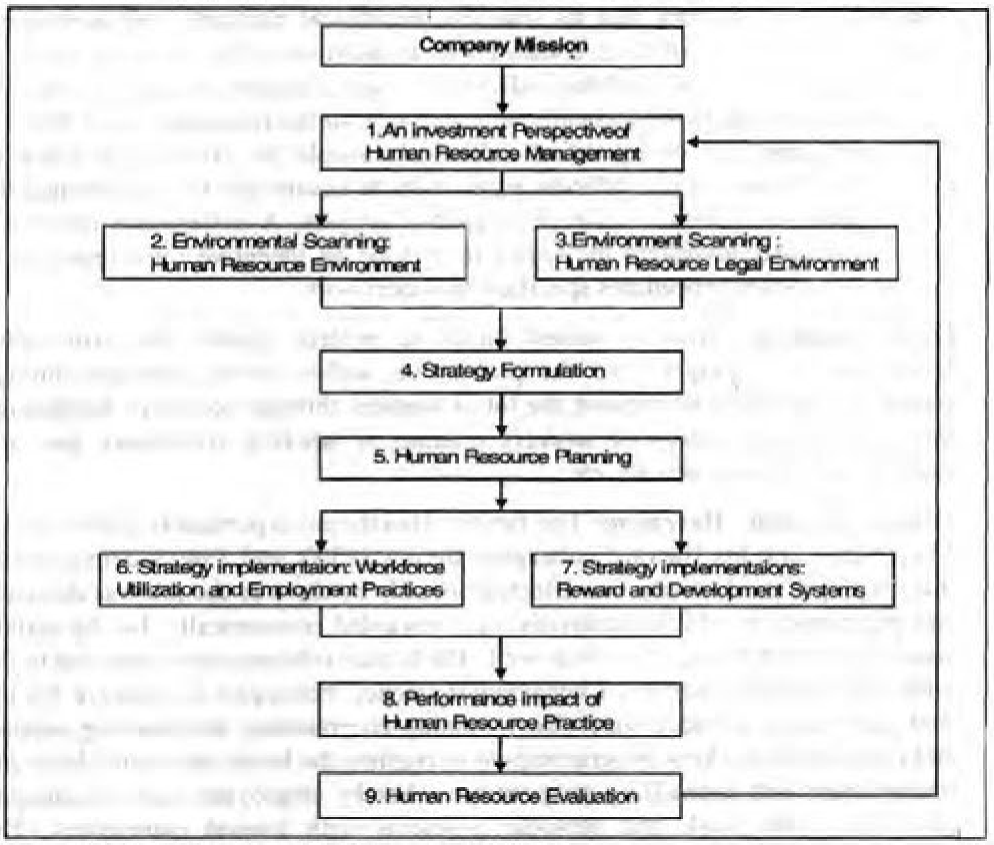
4. ***Human Relations Movement:*** The famous Hawthorne experiments conducted by Elton Mayo and his Harvard colleagues during 1930's and 1940's demonstrated that employee productivity was affected not only by the way the job was designed and the manner in which employees were rewarded economically, but by certain social and psychological factors as well. The human relations movement led to the wide scale implementation of behavioural science techniques in industry for the first time which included supervisory training programmes, emphasising support and concern for workers, programmes to strengthen the bonds between labour and management and counselling programmes whereby employees were encouraged to discuss both work and personal problems with trained counsellors. The movement was also influenced by the growing strength of unions during the late 1930's and 1940's. The rise of unionism during this period was due to the passage of the Wagner Act which gave workers the legal right to bargain collectively with employers over matters concerning, wages, job security, benefits and many other conditions of work.

5. ***Human Resources Approach:*** However, during early 60's the 'pet milk theory', (advocating that happy workers are productive workers or happy cows give more milk) of human relationists had been largely rejected. Recognising the fact that workers are unique in their own way - having individual needs. It was recognised that each employee is a unique and highly complex individual with different wants, needs and values. What motivates one employee may not motivate another and being happy or feeling good may have little or no impact on the productivity of certain employees.

"The Human Resource Approach assumes that the job or the task itself is the primary source of satisfaction and motivation to employees . . . The emphasis in the human resource approach is on individual involvement in the decisions made in the organisation". The contribution of behavioural science to management practice consists primarily of producing new insights rather than new techniques. It has developed and expanded into a useful way of thinking, about the role of the manager, the nature of organisations and the behaviour of an individual within an organisation.

2.5 CREATING STRATEGIC HRM SYSTEM

Strategic HRM begins with an assumption that the company has a mission of obtaining an appropriate rate of return for shareholders, while complying with the interest of the company's other stakeholders including employees.



Source : Charles R Greer, *Strategic HRM*, Pearson (2001) P.138

Figure 2.3: Process of Strategic HRM

A thorough understanding of the investment perspective is critical for HR executives and managers who wish to play a strategic role in their organisation. Just as financial outlays for plant and equipment are evaluated from an investment perspective, expenditure on HR activities, such as training and development, also should be evaluated in terms of return on investment.

Additionally the investment perspective provides a valuable general managerial framework for evaluating programmes, policies and activities in terms of their ability to enhance and preserve the organisation's investment in its human resources. An informed awareness of environmental trends and developments is required before managers can examine intelligently the potential opportunities of HR management and the broader economic environment which have changed dramatically. In addition to these changes, the legal environment of HR continues to evolve and expand. In some respects, the legal environment itself has become a source of uncertainty. Although in the past HR strategists may not have incorporated the legal environment in their conceptual framework, further expansion of the law into areas of employer and employee relationships have made the legal environment a critical component of strategic analysis. The framework's investment perspective drives the formulation of strategies for dealing with opportunities and threats in the environment. HR and HR management can play major roles in the organisation's overall strategy particularly when HR's are viewed as providing a major competitive advantage.

Some authors have defined strategic HR management as the effective application of the organisation's overall strategies. Such definitions have only an implementation perspective, while other authors also see strategic HR management as being integrated with strategy formulation. HR strategies are narrower in focus than the domain of strategic HR management. HR strategies define the manner in which the organisation's practices, programmes, policies and activities will be aligned to obtain consistency with the organisation's overall strategies. Such strategies play an implementation role and are valuable means of obtaining direction, consistency and coherence in HR efforts. The role of individual human resource activities may be better understood through the application of a conceptual typology developed by Alan Speaker, Senior VP at Synergy HR Technologies.

The typology categorizes human resource activities in a 2 × 2 matrix according to two dimensions (1) The extent to which such activities are relational to transaction, and (2) whether they have high or low strategic value.

1. At one end of the transactional and relationship continuum are transactional activities that are mostly administrative and impersonal. The performance of these activities does not require a high level of interpersonal skill, and many of these activities can be computerised. At the other end of the continuum are activities that require high levels of interpersonal skills, political awareness, and sensitivity.
2. For the strategic-value dimension, at one end of the continuum are activities that have direct business impact on the firm's ability to implement its competitive strategies. At the other end of the continuum are activities that have a more indirect or less strategic impact. The model is presented in Figure 2.4.

Figure 2.4: Model of SHRM

Check Your Progress

Fill in the blanks:

1. _________ is the ability of a firm to win consistently over the long-term in a competitive situation.
2. _________ is concerned with whether or not the customer's need that you fulfill can be met by alternative ways.
3. __________ tried to improve the lot of workers through collective bargaining, resolving the grievances of workers relating to working conditions, pay and benefits, disciplinary actions, etc.
4. The typology categorises human resource activities in a 2 × 2 matrix according to __________ dimensions.
5. The legal environment itself has become a source of __________.
6. The contribution of __________ to management practice consists primarily of producing new insights rather than new techniques.

2.6 LET US SUM UP

- HR has a great role to play in the execution of strategies. HR can help strategy implementation in other ways. It can help the firm carry out restructuring and downsizing efforts without rubbing employees on the wrong side - say, through outplacing employees, linking rewards to performance, reducing welfare costs, and retraining employees.
- HR practices build competitiveness because they allow for strategic implementation, create a capacity for change and instil strategic unity. Under the circumstances, employee behaviour and performance is often seen as the best bet to push competitors to a corner and enhance productivity and market share.
- Privatisation, liberalisation, globalisation, deregulation and technological innovation have in recent times created the need for rather, faster and more competitive organisations.
- The role of human resource management in organisations has been evolving dramatically in recent times.
- HR is increasingly receiving attention as a critical strategic partner, assuming stunningly different, far reaching transformational roles and responsibilities.
- Strategic HRM is the linking of HRM with key goals and objectives with a view to improve business performance and develop organisational cultures that foster innovation and flexibility.
- HR can be a source of competitive advantage, when the talents of people working in the company are valuable, rare, difficult to imitate and well organised to deliver efficient and effective results.
- People have always been central to organisations but their strategic importance is increasing in today's knowledge-based industries.
- When properly motivated, even ordinary people can deliver extraordinary results.
- The benefit arising from competitive advantage based on effective personnel management is such an advantage that can not be emulated by others.
- The HRM of an organisation is an important non-imitable resource if it is practiced effectively and efficiently.

2.7 LESSON END ACTIVITY

Working individually or in groups, develops a forecast for the next three years of occupational market conditions for five occupations such as accountant, engineer, doctor, journalist and lawyer.

2.8 KEYWORDS

Strategic Human Resources Management: The linking of HRM with strategic goals and objectives in order to improve business performance and develop organisational cultures that foster innovation and flexibility.

Competitive Advantage: It allows a firm to gain an edge over rivals when competing. It comes from a firm's ability to perform activities more distinctively and more effectively than rivals.

Superiority: This requires single-minded focus on customer needs and expectations.

Competency: Ability to perform exceptionally well and increase the stock of targeted resources within the firm.

Core Competencies: Core competencies tend to be limited in number but they definitely offer a solid basis for technology innovation, product development and service delivery.

Vertical Fit: Successful organisational performance depends on a close fit between business and human resource strategy.

Horizontal Fit: Individual HR strategic should cohere by being linked to each other to offer mutual support.

Management Development: Training and development programmes designed to provide new managers and existing managers with the resources needed to become more effective in their roles.

Effectiveness: The extent to which goals have been met.

Efficiency: The degree to which operations are carried out in an economical way.

2.9 QUESTIONS FOR DISCUSSION

1. Define the term SHRM.
2. What is meant by competitive advantage?
3. Explain HRM's role in creating competitive advantage.
4. What is meant by inimitability?
5. Explain for appropriability.
6. Why is it important for a company to make its human resources into a competitive advantage? How can HR professionals contribute to doing so?
7. Describe the characteristics of the new role of the HR executive-that of strategic partner' with top management.
8. Describe HR's role as a strategic partner in formulating and in executive strategy.
9. Why is a competitive advantage based on heavy investment in human resources more sustainable than investment in other types of assets?

10. To be a strategic business contributor, HR managers must enhance organisational performance, expand human capital, and be cost-effective. Discuss how HR professionals must balance the competing demands made on them.

Check Your Progress: Answers

1. Competitive advantage
2. Substitution
3. Unions
4. Two
5. Uncertainty
6. Behavioural science

2.10 REFERENCE/ SUGGESTED READINGS

Barney, J. B., & Hesterly, W. S. (2020). *Strategic human resource management and competitive advantage*. Pearson Education.

Boxall, P., & Purcell, J. (2019). *Strategy and human resource management* (4th ed.). Palgrave Macmillan.

Cascio, W. F. (2021). *Strategic HRM: Leveraging human resources for competitive advantage*. Journal of Strategic Management, 13(2), 22-34.

Dessler, G. (2022). *Human resource management: Strategic approach* (17th ed.). Pearson Education.

Gupta, C. B. (2020). *Strategic human resource management: A key to achieving competitive advantage*. Journal of Management, 12(3), 45-61.

Huselid, M. A., & Becker, B. E. (2019). *The impact of high-performance work systems on firm performance: Implications for SHRM*. Academy of Management Review, 24(2), 28-43.

Johnson, G., Scholes, K., & Whittington, R. (2020). *Exploring corporate strategy: Text and cases*. Pearson.

Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2021). *Strategic human resource management: Gaining a competitive advantage* (10th ed.). McGraw-Hill Education.

Singh, V. (2019). *From traditional HRM to strategic HRM: Key distinctions and benefits*. Journal of Human Resource Management, 15(4), 78-94.

Wright, P. M., & McMahan, G. C. (2022). *SHRM and the creation of strategic value: An integrative framework*. Strategic Management Journal, 18(1), 66-82.

UNIT 3

HUMAN RESOURCE AND MANPOWER PLANNING

CONTENTS

3.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Define the concept of human resource planning
- Discuss the different types of human resource planning
- Understand the various steps to be taken into account while forecasting the supply and demand for human resources in an organisation.

3.1 INTRODUCTION

Before proceeding further, let's review the previous lesson. As you remember, we learned HR policies, HR accounting and auditing along with computer applications in HRM. These are the initial parameters or elements of any organisation. Now the second phase is Human resource planning. As we know without proper planning everything is scrap for us and our all efforts will be nil or zero. Let's get to know about HRP and its requirement.

Human resource planning is a process that identifies current and future human resources needs for an organisation to achieve its goals and objectives. It involves forecasting an organisation's future demand and supply for employees, based on its business needs; and subsequently developing and employing the strategies required to meet these needs. It involves a gap analysis between current human resource supply and future demand. Strategies are then developed to address the gap and may involve recruitment, internal staffing, development, training, contracting and partnering, and activities relating to downsizing.

"Forecasting future needs" implies understanding the future business directions of the organisation so that the HR needs can be appropriately identified. Human resource planning can be conducted at the organisation level or at any component level but a key to success is always understanding and linking to business direction. Thus, in this lesson, you will focus on the concept of human resource planning in which you will get to know about the features, objectives, importance, responsibility, problems and effective human resource planning. Then, you will know about the forecasting for human resource requirement. You will also study about internal and external sources for forecasting human resource requirement. At the end of the lesson, you will learn about different types of human resource planning.

3.2 HUMAN RESOURCE PLANNING

In this section, you will be acquainted with the concept of human resource planning. Human resource is an important corporate asset and the overall performance of companies depends upon the way it is put to use. In order to realise company objectives, it is essential to have a human resource plan. Human resource planning (also called employment or personnel planning) is essentially the process of getting the right number of qualified people into the right job at the right time so that an organisation can meet its objectives. It is a system of matching the supply of people (existing employees and those to be hired or searched for) with openings the organisation expects over a given time frame.

Five key questions in HRP:

1. How many employees do we need — in terms of number?
2. What are we looking for in terms of skills, knowledge, experience, abilities, etc. — in terms of quality?
3. Where do we need the employees — the location, the division, the department?
4. When do we need the employees — immediately, in the next three months, six months, etc.?
5. How long do we need them — for a limited period or for a long period?

Human Resource Planning (HRP) is a process by which Human Resource (HR) managers and/or others with responsibility for managing HR analyse their organisation's need for HR and plan the HR actions essential to meet these needs. In order to make an organisation to fit its environment for achieving organisational goals and objectives, HR policies and practices should be linked to the strategy of the organisation. Modern HRP tends to be more flexible, frequent and informal than traditional manpower planning. Policy development, demand and supply projection and action strategies are the essence of HRP. HR policies and practices can be planned to narrow any projected gap between labour demand and supply, either in terms of reducing employee surpluses or eliminating shortages. HRP is one of the processes that can contribute towards maximising an organisation's fit with its external environment and also helps increase an organisation's capacity for change by enabling proactive rather than reactive decision-making.

Human resource planning seeks to make the links between strategies, structure and people more explicitly. Various studies show that there is benefit in adopting a 'high road' human resource management strategy of high training, high involvement, high rewards and quality commitment. Further, HR practices needs to be introduced together in a 'bundle' so that they enhance and support each other. By contrast, 'low road' human resource management is characterised by low pay, low job security and work intensification.

3.2.1 Definitions of HRP

A few noteworthy definitions of Human Resource Planning are as follows:

1. *"Human Resource Planning is the process by which managers ensure that they have the right number and kinds of people in the right places, and at the right times, who are capable of effectively and efficiently performing their tasks".*

   – Steven P. Robbins and Mary Coulte

2. *"Human Resource Planning is the development of a comprehensive staffing strategy for meeting the organisation's future human resource needs".*

   – Robert Kreitner

3. *"Human Resource Planning refers to the group of techniques which enables managers to plan the staffing of an organisation".*

   – Willy McCourt

4. *"Human Resource Planning is the process of providing capable and motivated people to carry out the organisation's mission and strategy".*

   – Schermerhorn, Hunt and Osborn

5. *"Human Resource Planning is the process of systematically forecasting the future demand and supply for employees and the deployment of their skills within the strategic objectives of the organisation".*

   -John Bratton and Jeffrey Gold

6. *"Human Resource Planning is concerned with anticipating and providing for the movement of people (quantity and quality) into, within, and out of a firm".*

   – DuBrin and Ireland

7. *"Human Resource Planning is an effort to anticipate future business and environmental demands upon and organisation and to provide personnel to fulfil that business and satisfy that demand".*

   – Bowey

Human Resource Planning is the process of matching organisational needs of qualified personnel with their availability as may be required at a future date, as assessed on rationale basis, in order to achieve organisation's mission and objectives effectively.

Thus, we may conclude that human resource planning is the process of using an organisation's goals and strategy to forecast the organisation's human resource needs in terms of finding, developing and keeping a qualified workforce.

3.2.2 Features of HRP

Features of HRP are:

- ***Forward Looking:*** Human Resource Planning (HRP) is a forward looking function. It tries to assess human resource requirements in advance keeping the production schedules, market fluctuations, demand forecasts, etc., in the background.
- ***Insync with Organisational Needs:*** The human resource plan is subject to revision, of course, and is tuned to the requirements of an organisation from time to time.
- ***Intune with Corporate Plan:*** It is an integral part of the overall corporate plan and reflects the broad thinking of management about manpower needs within the organisation.
- ***Proactive:*** Internal as well as external changes impacting the organisation are assessed proactively from time to time so that HR plan would fit in with strategic business objectives. The whole exercise is meant to see that the organisation does not suffer due to non-availability of qualified people even when it tries to expand its operations through mergers, acquisitions, etc.
- ***Get Qualified People at a Right Time:*** The focus of the plan is always on getting right number of qualified people into the organisation at the right time. To this end, human resource plans are prepared for varying time periods, i.e., short term plans covering a time frame of 2 years and long term plans encompassing a period of 5 or more years (Walker). Getting qualified staff at right time depends on foresight, experience and a thorough understanding of the dynamics of labour market. Arriving at the right mix of people with requisite skills and qualifications is, therefore, a tough forecasting exercise. The organisation may have to live with *multiple scenarios and contingency plans (Fisher* et al).

3.2.3 Objectives of HRP

You must also understand that organisations must, inevitably, plan for human resources. Otherwise, they may be saddled with employees with poor qualifications and inadequate skills or overburdened with unwanted employees whose pay and benefits might eat away the vitals of a business. The basic purpose of a human resource plan is to have an accurate estimate of the number of employees required, with matching skill requirements to meet organisational objectives. It provides information about the manner in which existing personnel are employed, the kind of skills required for different categories of jobs and human resource requirements over a period of time in relation to organisational objectives. It would also give an indication of the *lead time* that is available to select and train the required number of additional manpower.

More specifically, HR planning is required to meet the following objectives (Reilly; Overman):

- ***Forecast Personnel Requirements:*** HR planning is essential to determine the future manpower needs in an organisation. In the absence of such a plan, it would be difficult to have the services of right kind of people at the right time.

- *Cope with Changes:* HR planning is required to cope with changes in market conditions, technology, products and government regulations in an effective way. These changes may often require the services of people with the requisite technical knowledge and training. In the absence of an HR plan, we may not be in a position to enlist their services in time.
- *Use Existing Manpower Productively:* By keeping an inventory of existing personnel in an enterprise by skill, level, training, educational qualifications, work experience, it will be possible to utilise the existing resources more usefully in relation to the job requirements. This also helps in decreasing wage and salary costs in the long run.
- *Promote Employees in a Systematic Manner:* HR planning provides useful information on the basis of which management decides on the promotion of eligible personnel in the organisation. In the absence of an HR plan, it may be difficult to ensure regular promotions to competent people on a justifiable basis (see Mello, 2003).

3.2.4 Importance of HRP

Human Resource Planning is a highly important and useful activity. If used properly, it offers a number of benefits:

- *Reservoir of Talent:* The organisation can have a reservoir of talent at any point of time. People with requisite skills are readily available to carry out the assigned tasks.
- *Prepare People for Future:* People can be trained, motivated and developed in advance and this helps in meeting future needs for high-quality employees quite easily. Likewise, human resource shortages can also be met comfortably (when people quit the organisation for various reasons) through proper human resource planning.
- *Expand or Contract:* If the organisation wants to expand its scale of operations, it can go ahead easily. Advance planning ensures a continuous supply of people with requisite skills who can handle challenging jobs easily.
- *Cut Costs:* Planning facilitates the preparation of an appropriate HR budget for each department or division. This, in turn, helps in controlling manpower costs by avoiding shortages/excesses in manpower supply. The physical facilities such as canteen, quarters, school, medical help, etc., can also be planned in advance.
- *Succession Planning:* Human resource planning, as pointed out previously, prepares people for future challenges. The 'stars' can be picked up and kept ready for further promotions whenever they arise. All multinational companies, for example, have this policy of having a 'hot list' of promising candidates prepared in advance e.g., HLL, Proctor & Gamble, Godrej consumer products, etc. Such candidates are rolled over various jobs and assessed and assisted continuously. When the time comes, such people 'switch hats' quickly and replace their respective bosses without any problem.

3.2.5 Responsibility for HRP

It is important to note that the top level executives are responsible for HR planning as it is one of the important factors influencing the success of an organisation. The plans are usually prepared by the Human Resource Division in consultation with other corporate heads. The responsibility and accountability for manpower aspects of various divisions is on their respective heads. They should undertake their own appraisals of future needs in such a way as to provide a concrete basis for organisation-wide forecasting and planning. The Human Resource Division must offer counsel and advice to various divisional heads and coordinate the various manpower estimates from time to time. Prof. Geisler outlined the responsibilities of Human Resource Department in respect of HR planning thus:

- Assist and counsel operating managers to plan and set objectives.
- Collect and summarise manpower data keeping long-run objectives and broad organisational interests in mind.
- Monitor and measure performance against the plan and keep top management informed about it.
- Provide proper research base for effective manpower and organisational planning.

3.2.6 Problems in HRP

You must understand the problems in HRP:

- ***Accuracy:*** Projecting manpower needs over a period of time is a risky one. It's not possible to track the current and future trends correctly and convert the same into meaningful action guidelines. Inaccuracies would creep in usually when departmental forecasts are made without a careful examination of relevant issues. Factors such as absenteeism, labour turnover, seasonal trends in demand, competitive pressures, technological changes and a host of other factors may turn the best of manpower plans into fashionable, decorative pieces.
- ***Preparation:*** HRP — however sophisticated the exercise might be — is not something that would bring in results instantaneously. It demands elaborate preparation, careful monitoring of internal as well as external factors, strong support from management and workers, and sincere implementation. More importantly, the management information system that is designed to rectify things must be designed to supply reliable data. Those involved in the planning part, must interact with other departments, collect information patiently and integrate the same with forecasting techniques. The results may not be encouraging, when the preparation is insufficient and commitment from people is open to doubt.
- ***Support:*** Planning is generally undertaken to improve overall efficiency. In the name of cost cutting, this may ultimately help management weed out unwanted labour at various levels. The few efficient ones that survive such frequent onslaughts complain about additional work. Employees and unions, not surprisingly, brand HRP exercises as ingenious ways to increase workload. Management simply is trying to turn HRP into a kind of scientific exercise to get more from employees without offering any commensurate benefits. Support from management is equally missing on more than one occasion. They are unwilling to commit funds for building an appropriate human resource information system. The time and effort involved – with no tangible, immediate gains – often force them to look the 'other way'.
- ***Resistance:*** Employees and unions brand HRP exercises as ways to increase workload. Management simply is trying to turn HRP into a kind of scientific exercise to get more from employees without offering any commensurate benefits.
- ***Numbers Game:*** HRP, in the final analysis, may suffer due to an excessive focus on the quantitative aspects. The quality side of the coin (consisting of employee motivation, morale, career prospects, training avenues, etc.) may be discounted thoroughly.

3.2.7 Effective Human Resource Planning

It is important to note that comprehensive survey of human resource planning practices in 45 companies covering a cross-section of the manufacturing industry has indicated the scant attention that is being paid to human resource planning. (Krishna Swamy)

Human resource specialists have pointed out the fact that most Indian organisations do not have adequate records and information on human resources. Proper retrieval systems also are not available in most cases. The computerised personnel information systems unlike their counterparts in the Western world do not play an important role in India. Even the current technologies and knowledge in respect of HR planning is not put to use optimally. Such practices, inevitably, lead to ineffective HR planning. (Das)

To compound the problem further, there are unpredictable external influences on manpower planning such as changes in labour market conditions, technology, market conditions, economic cycles, changes in social and economic values, political changes, etc. In such a scenario, it becomes difficult to forecast the personnel available with an organisation at a future date. While vacancies caused by retirements can be predicted accurately, other factors like resignations, turnover, deaths, and competitive attractions are difficult to forecast. This problem becomes mainly acute in respect of important personnel (especially at the middle and top level) because their replacements cannot be arranged in a short span of time. At times, top management support may not be available to the HR planning efforts. These problems could be avoided, if certain guidelines are followed:

1. ***Objectives:*** The HR plan must fit in with the overall objectives of the organisation. Important aspects such as people working in the organisation, working conditions, human relationships, etc., must be kept in mind while developing the plan.

2. ***Top Management Support:*** The plan must meet the changing needs of the organisation and should enjoy consistent support from top management.

3. ***Employee Skills Inventory:*** The organisation must have an up-to-date employee skills inventory showing previous jobs held, tenure on current job, educational and training qualifications, specific knowledge and skills, prior work performance, past and current compensation, mobility factors. Markov Analysis (an approach to forecast the internal supply of manpower, tracking past patterns of personnel movements) may be pressed into service while preparing the manpower inventory.

4. ***Human Resource Information System:*** To manage employee skills inventories, organisations should maintain computerised human resource information systems containing data on individual demographics, career progression, appraisals, skills, interests, training, target positions, performance ratings, geographic preferences, promotability ratings, etc.

5. ***Coordination:*** A separate HR planning division must be created, especially in large organisations, to coordinate HR planning exercises at various levels. The various plans for procurement, promotion and retention of human resources must be integrated properly. The ultimate objective must be to make use of the human resources in an optimal manner by filling future vacancies with the right type of people.

You must recognise that the dotcom meltdown in the late 90's has taught many bitter lessons to knowledge-based industries all over the globe. Subsequently, the services and manufacturing sectors have also taken a big hit. Many Indian Companies had to resort to 4-day or 5-day work weeks (Tata Motors, Ashok Leyland), reduce excess staff (Public Sector Banks), consider demotions and or terminations in order to strike a proper balance between demand for and supply of labour force. Early retirements have become the order of the day. Big expansion plans have been put on hold in many cases and companies had to declare hiring freezes openly (of course, companies like Infosys Technologies did not declare any layoffs even when things were pretty bad) to ward off such serious imbalances in demand for and supply of labour force especially when recessionary trends set in. Many Indian Companies have invested heavy amounts in computerising most HR functions. The employee data banks and skill inventories are built up to fill vacant positions in a systematic way.

Table 3.1: How Companies should Deal with Imbalances in Labour Supply

When faced with a shortage	When faced with a surplus
• Recruit new full time employees • Offer incentives for postponing retirements • Rehire retired employees part time • Attempt to reduce turnover • Work present staff overtime • Subcontract work to another firm • Hire temporary hands • Re-engineer to reduce needs • Outsource an entire function • Use technology to improve productivity • Re-allocate people from elsewhere in the organisation • Re-allocate work tasks among current employees	• Do not replace employees who leave • Offer incentives for early retirement • Transfer or re-assign excess staff • Use slack time for employee training or equipment maintenance • Reduce work hours • Lay off employees • Freeze hiring

3.2.8 Determinants of Human Resource Planning

The business environment is becoming increasingly turbulent and unpredictable, due to the threat from potential discontinuities; there is an even greater need for organisations to develop the capacity to plan accurately. However, a number of factors influence human resource planning, as discussed below:

1. ***Demand and Supply Scenario:*** Demand-side factors stem mainly from business strategy, but new skills may be needed; for example, in physical environmental awareness and the implications for products or processes and energy use; or in marketing, in concepts of relational marketing, customer education and general supply chain management. If mergers or acquisitions are expected, then new expertise may be needed which may require new recruits. Organisations that use competence-mapping techniques may be able to provide data relevant to HRP, but where different people do these activities and/or at different locations, such linkage cannot be made.

2. ***Technological Advancement:*** The speed of recent change has been such that the applications of computerised technology in products and processes are now driving and facilitating much of the market. The scope for substitution of labour by capital, and the need for more creative and more relational uses of human skills, particularly those involving interpersonal relationships and the ability to relate ideas laterally, is growing considerably in many countries, industries and organisations. The implications for numbers, skills, location and design of jobs and employment contracts are therefore more significant than is currently realised by many HR Managers.

3. ***Changing Attitude:*** The new generation of employees is more individualistic which is less likely to accept authority, expecting to have a say and be given a choice, and to be putting more emphasis on quality of leisure and family life. Employees are also less likely to remain with one employer. These attitudes are found particularly among "knowledge-workers", and may be modified over-time by experience of recession and widespread white-collar unemployment.

4. ***Changing Organisational Priorities:*** The supply side issues that HRP should address include the organisation's policy on growth from within or by means of outside recruitment; the policy on compensation, and the organisation's view on human resource development. The conventional human resource plans take into consideration a series of supply side statistics, such as organisation growth, the age distribution of employees, skill levels, turnover ratios and the overall profile/distribution of employment across job categories. However, factors like age and retirement are emerging as important considerations in human resource planning in the current socio-economic climate. These factors are strongly related in the sense that retirement takes place on the attainment of a certain age. Additionally, HRP has to take into consideration the total corporate plan, which would incorporate, set out or anticipated productivity standards.

5. ***Changing Aspirations:*** The more contemporary approaches to human resource planning needs to consider current (and anticipated/future) changes in the make-up and aspirations of the human resources. Greater desire for self-development may trigger requirements for changes in existing organisational structures and management systems. As a result, organisations may capitalise on the advantage of potential employees who may be creative and self-motivated, but they will also face the problem of developing an environment that will attract and hold such individuals.

3.2.9 Change in Approach to Human Resource Planning

Human resource planning is a process which specifies what an organisation must do to develop human resources consistent with overall organisation strategy.

Table 3.2: Change in Approach to Human Resource Planning

Traditional Approach	Integrated Approach
An isolated activity.	An integrated activity.
Focus on assessing/reducing strength of human resources.	Focus on optimising human resources in quantitative as well as qualitative terms.
Use of sophisticated models.	Based on evolved needs and future vision.
Main responsibility lies on Manpower Planning department.	Main responsibility lies on HR department but line managers are actively involved.
Used for quantitative assessment for acquisition and deployment of human resources.	Used to provide realistic data on human resources for acquisition, deployment and development purposes.
Intermittent activity.	Continuous activity.

3.3 DIFFERENT TYPES OF HUMAN RESOURCE PLANNING

This section emphasises on the different types of human resources. Various types of human resource planning are as follows:

1. ***Succession Planning:*** Succession planning ensures that organisations have enough employees with the right abilities, skills and experience to promote them into key managerial jobs, as they fall vacant. It covers a narrower group of employees and often involves forecasting and planning the progress of employees

over a long time span. It is most often associated with hierarchical organisations in which employees develop careers by moving upwards and sideways over a number of years as they acquire the required skills and experience. In technical terms, succession planning involves collecting and manipulating data about employees and tracking their performance and progress as they move from job to job over a period.

2. ***Career Planning:*** Career planning requires an understanding of processes that can integrate an employee's characteristics and preferences with the implications of organisational culture, values and style, business strategy and direction, organisational structure and change, reward systems, training and development system, appraisal and promotion systems. Career planning emphasises much more on the employee's responsibility for his own career development. However, common problems associated with this kind of planning relates to key people leaving, or manager's lack of broad experience.
3. ***Contingency Planning:*** Contingency planning involves planning possible responses to a variety of potential environmental scenarios and the result is that human resource planning effectively switches from being a reactive process undertaken in order to assist the organisation in achieving its aims. The main purpose of contingency planning in human resource management function is the provision of information on which decisions about the future directions the organisation takes are made.
4. ***Competency Planning:*** Competency planning focuses on skills. Planning involves predicting what competencies will be needed one to five years ahead, rather than number of employees. Skills-based plans incorporate the possibility that skills need are to be met either wholly or partially through the employment of short-term employees, outside consultants, as well as by permanent employees.

3.4 THE PROCESS OF HUMAN RESOURCE PLANNING

The process of HRP usually followed in a large organisation, consists of the following steps:

1. Forecasting the demand for employees.
2. Forecasting supply for employees.
3. Balancing demand supply consideration.
4. HR model.

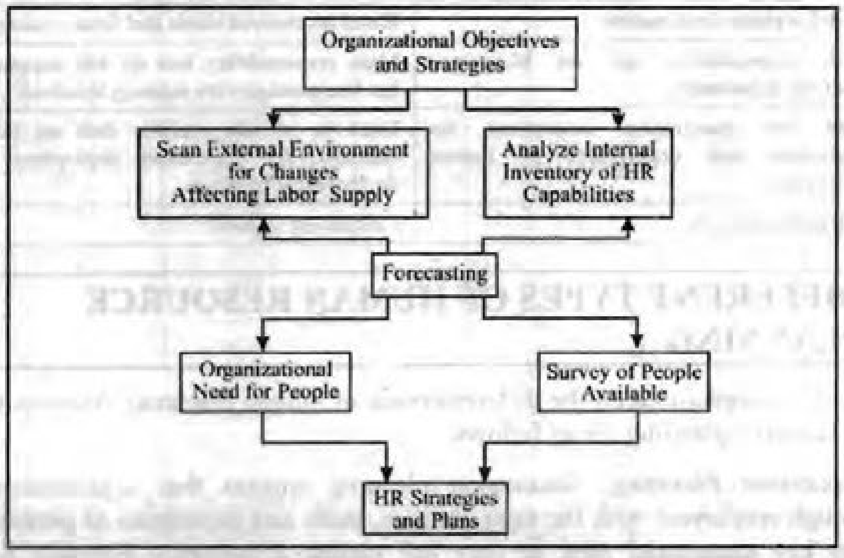


Figure 3.1: HR Planning Process

3.4.1 Forecasting Demand for Employees

Most firms estimate how many employees they require in future. The demand for human talent at various levels is primarily due to the following factors:

External Challenges

These challenges arise from three important sources:

- ***Economic Developments:*** Liberalisation, opening up of banking sector, capital market reforms, the online trading systems have created huge demand for finance professionals during 1990-1995 in India. The late 90's saw the rise of manufacturing, FMCG, pharmaceuticals, auto-components, healthcare and chemical industries in a steady manner. Consequently, the demand for engineering and management graduates, scientists and healthcare professionals has picked up in recent times.
- ***Political, Legal, Social and Technical Changes:*** The demand for certain categories of employees and skills is also influenced by changes in political, legal and social structure in an economy. Likewise, firms employing latest technology in construction, power, automobiles, software, etc., have greatly enhanced the worth of technicians and engineers during the last couple of years. Technology, however, is a double-edged weapon and hence, its impact on HR plans is difficult to predict. For example, computerisation programme in banks, railways, post and telegraph departments may reduce demand in one department (for example, book keeping) while increasing it in another (such as computer operations). High technology with all its attendant benefits may compel organisations to go lean and downsize workforce suddenly. Employment planning under such situations becomes complicated.
- ***Competition:*** Companies operating in fields where a large number of players are bent upon cutting each other's throat (with a view to enhance their market shares) often reduce their workforce. Competition is beneficial to customers but suicidal for companies operating on thin margins. Such companies have to necessarily go 'lean' by reducing their workforce. On the other hand, companies that are doing well and progressing smoothly will always look for people with critical skills.

Organisational Decisions

The organisation's strategic plan, sales and production forecasts and new ventures must all be taken into account in employment planning. If Britannia Industries Ltd. expects higher demand for biscuits and bread, the long-term HR plan must take this into consideration. Likewise, if it tries to venture into other lucrative fields such as milk based products and confectionery items, the demand for people possessing requisite skills in those areas in the next couple of years should be looked carefully.

Workforce Factors

Demand is modified by retirements, terminations, resignations, deaths and leaves of absence. Past experience, however, makes the rate of occurrence of these actions by employees fairly predictable.

Forecasting Techniques

The manpower forecasting techniques commonly employed by modern organisations are given below:

- ***Expert Forecasts:*** In this method, managers estimate future human resource requirements using their experiences and judgements to good effect.

- ***Trend Analysis:*** HR needs can be estimated by examining past trends. Past rates of change can be projected into the future or employment growth can be estimated by its relationship with a particular index.

Example: Trend Analysis

2001-02	Production of Units	:	5,000
2002-03	No. of Workers	:	100
	Ratio	:	100:5000
2003-04	Estimated Production	:	8,000
No. of workers required		:	$8000 \times 100/5000 = 160$

If supervisors have a span of 20 workers, 8 supervisors are also needed in 2003-04.

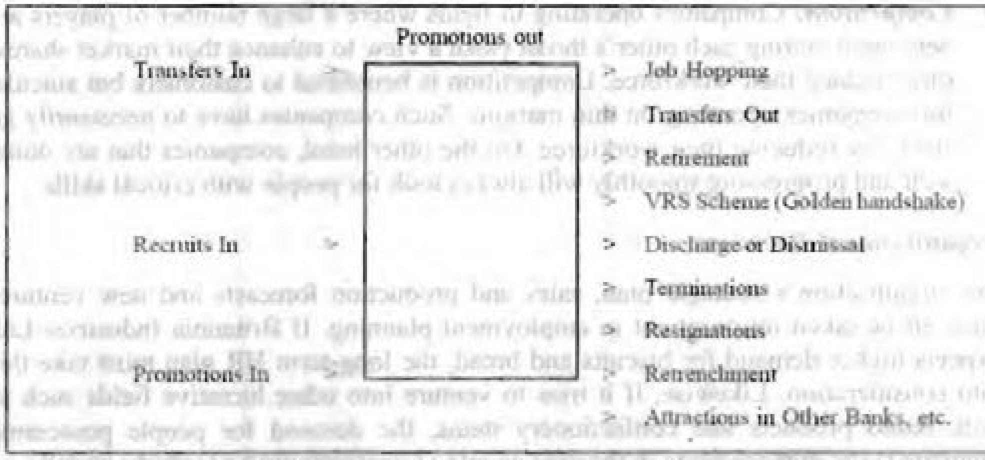
Other Methods

Several mathematical models, with the aid of computers are also used to forecast HR needs, e.g., regression, optimisation models, budget and planning analysis.

To proceed systematically, human resource professionals generally follow three steps. Let's examine these steps as applied in respect of, say a commercial bank.

- ***Workforce Analysis:*** The average loss of manpower due to leave, retirement, death, transfer, discharge, etc., during the last 5 years may be taken into account. The rate of absenteeism and labour turnover should also be taken into account. The nature of competition say from foreign banks, other non-banking financial institutions may also be considered here to find out actual requirements in a year (Box. 3.1).

Box 3.1: Manpower Flows in a Bank



While some of the interchanges and external supply could be predicted (growth opportunities, promotions, transfers, retirements, etc.) others are not so easy to predict. Past experience and historical data may help bank managers in this regard.

- ***Work Load Analysis:*** The need for manpower is also determined on the basis of work-load analysis, wherein the company tries to calculate the number of persons required for various jobs with reference to a planned output – after giving weightage to factors such as absenteeism, idle time, etc. The following example would throw light on this:

Example: Trend Analysis

Planned output for the year	:	10,000 pieces
Standard hours per piece	:	3 hours
Planned hours required	:	30,000 hours

Productive hours per person per year 1,000 hours (estimated on annual basis) (allowing for absenteeism, turnover, idle time, etc.)

No. of workers required : 30

If span of control in the unit is 10 per officer, then 3 officers are also required.

While determining manpower requirements through work load analysis, commercial banks may have to take the following factors into consideration: (i) the number of transactions to be handled by an employee; (ii) the amount of deposits and advances per employee; (iii) special requirements in respect of managing extension counters, currency chests, mobile branches, etc.; (iv) future expansion plans of the bank concerned. Managerial judgement – a study of the past trends – may serve as a useful guide in this regard. Statistical and econometric models may also be pressed into service, sometimes, depending on the requirement(s).

- *Job Analysis:* Job analysis helps in finding out the abilities or skills required to do the jobs efficiently. A detailed study of jobs is usually made to identify the qualifications and experience required for them. Job analysis includes two things: job description and job specification. Job description is a factual statement of the duties and responsibilities of a specific job. It gives an indication of what is to be done, how it is to be done and why it is to be done. Job specification provides information on the human attributes in terms of education, skills, aptitudes and experience necessary to perform a job effectively.

3.4.2 Forecasting Supply for Employees

The basic purpose of preparing manpower inventory is to find out the size and quality of personnel available within the organisation to man various positions. Every organisation will have two major sources of supply of manpower: internal and external.

Internal Labour Supply

A profile of employees in terms of age, sex, education, training, experience, job level, past performance and future potential should be kept ready for use whenever required. Requirements in terms of growth/diversification, internal movement of employees (transfer, promotions, retirement, etc.) must also be assessed in advance. The possibilities of absenteeism and turnover should be kept in mind while preparing the workforce analysis. Through replacement charts or succession plans, the organisation can even find out the approximate date(s) by which important positions may fall vacant. Frequent manpower audits may be carried out to find out the available talent in terms of skills, performance and potential. (See Figure 3.2)

Some of the important forecasting techniques may be summarised thus:

- *Staffing Table:* It shows the number of employees in each job. It tries to classify employees on the basis of age, sex, position, category, experience, qualifications, qualifications, skills, etc. A study of the table indicates whether current employees are properly utilised or not.

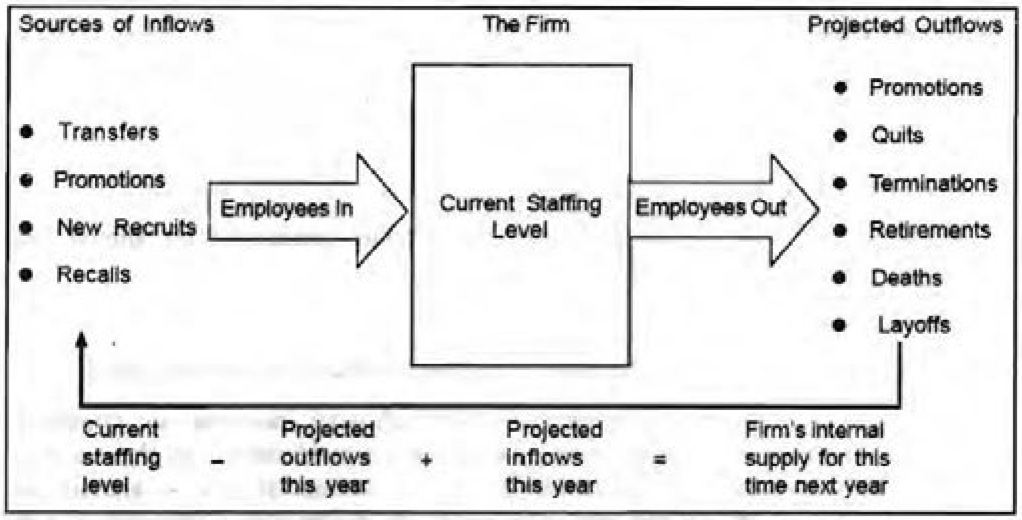


Figure 3.2: Estimated Internal Labour Supply for a given Firm

- ***Markov Analysis:*** This technique uses historical rates of promotions, transfer and turnover to estimate future availabilities in the workforce. Based on past probabilities, one can estimate the number of employees who will be in various positions with the organisation in future.

2003-2004	Store Managers	Asst. Store Managers	Section Heads	Dept. Heds	Sales Executives	Exit
Store Managers (n = 15)	80% 12					20% 3
Asst. Store Managers (n = 36)	11% 4	83% 30				6% 2
Section Heads (n = 94)		11% 11	66% 63	8% 8		15% 14
Departmental Heads (n = 288)	Figures in circles show the transition percentages		10% 29	72% 207	2% 6	16% 46
Sales Executives (n = 1440)				6% 86	74% 1066	20% 288
Forecasted Supply	16	41	92	301	1072	353

Figure 3.3: Markov Analysis for a Hypothetical Retail Company

- ***Skills Inventory:*** A skills inventory is an assessment of the knowledge, skills, abilities, and experience and career aspirations of each of the current employees. This record should be updated atleast every 2 years and should include changes such as new skills, additional qualifications, changed job duties, etc. Of course, confidentiality is an important issue in setting up such an inventory. Once established, such a record helps an organisation to quickly match forthcoming job openings with employee backgrounds.

Name : A.K. Sen			Date printed : 1-4-2004			
Number : 429			Department : 41			
Key words			**Work experience**			
Word	**Description**	**Activity**	**From**	**To**		
Accounting	Tax	Supervision and analysis	1998	2000	Tax clerk	ABC Company
Book Keeping	Ledger	Supervision	2000	2002	Accountant	XYZ Co.
Auditing	Computer records	Analysis	2002	2003	Chief Accounts Officer	TT Bank

Education			**Special Qualifications**		**Memberships**
Degree	Major	Year	Course	Date	1. AIMA
MBA	Finance	1998	• DBF	1996	2. ISTD
B.Com	Accounts	1995	• Risk Management	1999	3. ICA

Computer Literacy	**Languages**	**Position preference**	**Location choice**	**Hobbies**
• Tally	• French	Accounting	• Kolkata	• Chess
• Banking Software		Auditing	• Delhi	• Football
			• Bangalore	• Boating

Employees Signature ________	HR Department ________
Date ________	Date ________

Figure 3.4: An Example of a Skills Inventory

- ***Replacement Chart:*** It shows the profile of job holders department-wise and offers a snapshot of who will replace whom if there is a job opening. (See Figure 3.5).

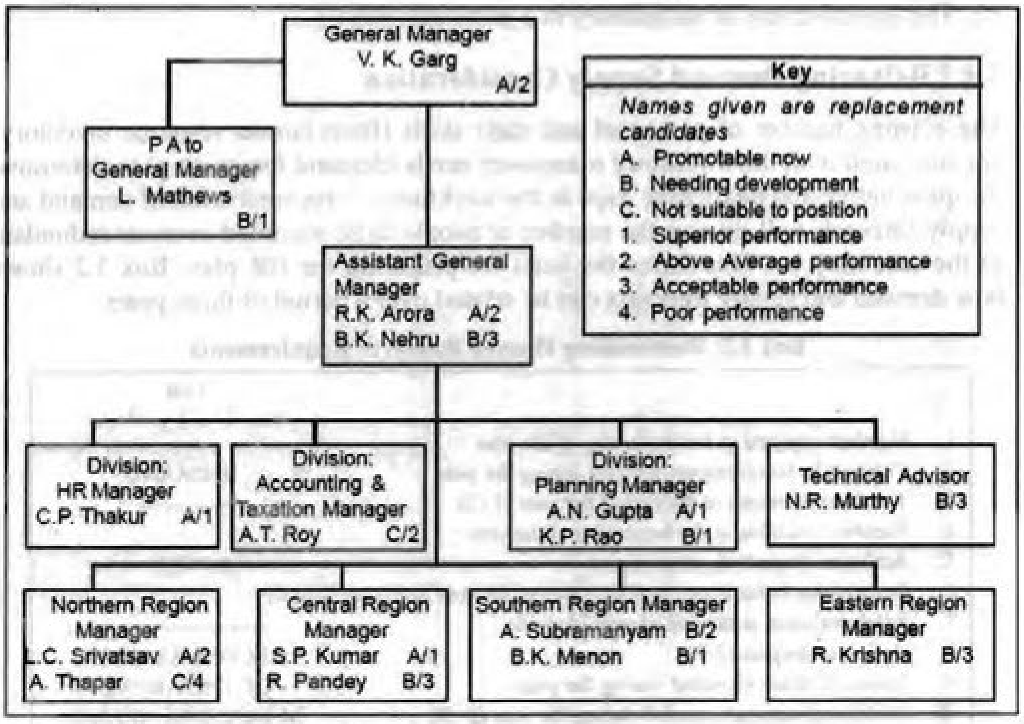


Figure 3.5: An Executive Replacement Chart

External Labour Supply

When an organisation that grows rapidly, diversifies into newer areas of operations (merchant banking, capital market operations, mutual funds, etc. in the case of a bank) or when it is not able to find the people internally to fill the vacancies, it has to look into outside sources. To the extent an organisation is able to anticipate its outside recruitment needs and looks into the possible sources of supply keeping the market trends in mind, its problem in finding the right personnel with appropriate skills at the required time would become easier.

Organisations, nowadays, do not generally track the qualifications of thousands of employees manually. Details of employees in terms of knowledge, skills, experience, abilities etc., are computerised, using various packaged software systems. [There are over 300 computerised human resource information systems available now].

Important Barometers of Labour Supply are:

1. Net migration into and out of the area.
2. Education levels of workforce.
3. Demographic changes in population.
4. Technological developments and shifts.
5. Population mobility.
6. Demand for specific skills.
7. National, regional unemployment rates.
8. Actions of competing employers.
9. Government policies, regulations, pressures, etc.
10. Economic forecasts for the next few years.
11. The attractiveness of an area.
12. The attractiveness of an industry in a particular place.

3.4.3 Balancing Demand Supply Consideration

The existing number of personnel and their skills (from human resource inventory) are compared with the forecasted manpower needs (demand forecasting) to determine the quantitative and qualitative gaps in the workforce. A reconciliation of demand and supply forecasts will give us the number of people to be recruited or made redundant as the case may be. This forms the basis for preparing the HR plan. Box 3.2 shows how demand and supply forecasts can be related over a period of three years.

Box 3.2: Determining Human Resource Requirements

		Year 1 2 3
1.	Number required at the beginning of the year	
2.	Changes to requirements forecast during the year	DEMAND
3.	Total requirements at the end of the year (1+2)	
4.	Number available at the beginning of the year	
5.	Additions (transfers, promotions)	SUPPLY
6.	Separations (retirement, wastage, promotions out and other losses)	
7.	Total available at the end of year (4+5+6)	
8.	Deficit or surplus (3-7)	RECONCILIATION
9.	Losses of those recruited during the year	OF THE ABOVE
10.	Additional numbers needed during the year (8+9)	MANPOWER NEEDED

3.4.4 HR Model

The HR model describes the organisation of Human Resources as it reaches the strategic goals. The HR model is the complex description of the key HR objectives, HR capabilities, HR processes and HR standards. The HR model is a bridge between the HR strategy and other key areas of HR management like HR processes and the HR organizational structure. The definition of the model is a key tool driving the responsibilities of HR function in the organisation.

The HR model is the best decision tool for the ownership of the new HR processes. Additionally, it helps to identify gaps in the HR organizational structure and the skills and competencies of HR employees. The model makes the management of HR function run smoothly. It is crucial for the employees as they can orientate in HR processes quickly and they can easily identify the process owner in case of questions and uncertainty.

The HR model brings the improvement into the decision-making process in HR. The decision lines are clear and managers are not asked to approve the regular requests. The main outcome of the HR model is the clear principle for the design and setting of the HR's roles and responsibilities and assignment of the different HR projects into different units in HR.

The model definition is not easy, but it saves many conflicts in the future. The HR model helps to build a stronger and more competitive HR function in the organisation. The model clearly defines the strategic HR processes and strategic HR areas, which have to be developed further to build a strong and competitive position on the market.

Additionally, it helps to identify the full responsibility for the administrative HR processes. The employees are sure about their goals and the main drivers for their success in HR.

3.5 DESIGNING HR SYSTEMS

The human resource function has become increasingly important in meeting an organisation's business strategy, goals and objectives. The human resources systems and staffing helps to competitively differentiate your organisation from the competition. The people and the working environment make a difference in achieving success and optimizing the organisation.

As your organisation grows, you may find that you have an increased need for human resources professional. Many business start out with the business owner overseeing all the personnel tasks, but the addition of new employees can make this far more complicated and time consuming. The expertise of a human resources professional in regards to procedures, compliance and legal constraints can be an invaluable asset to a company. Designing the specific needs that the human resources position will fill is a critical first step to crafting an effective system.

1. ***Identify Needs:*** A human resources department can handle a wide variety of tasks, depending on the size of the organisation. Typically, the core of HR's function is to handle all inner policy and employee-related business. This could include hiring and terminations, disciplinary issues, compliance and managing company policies. In some organisations, the role of human resources will also extend to managing the health-care benefits; from interacting with the insurance broker and carriers to educating employees on the benefits to processing enrollments. Some human resource professionals even manage payroll.

2. ***Assign Tasks:*** Once you have identified what roles you want human resources to fill, you can begin assigning these tasks to the human resources professional. By doing this, you will begin to see how large or small a human resources department you will need. Review each task and assign an estimated time commitment to it. This will showcase if the tasks can be feasibly accomplished in the hours you intend to staff the department. This exercise will relay whether you

need one part-time or full-time human resources professional, multiple professionals or if your needs are best served by an HR consultant.

3. ***Establish Procedures and Policies:*** Procedures for each task assigned to human resources will need to be laid out in order for the department to function efficiently. Establishing procedures can help the entire company to work in harmony with clear steps to follow in order to resolve any issues. For example, if there is a dispute between employees, they will need to know what steps have to be taken and channels to go through to resolve these issues. Developing a company handbook will also be helpful in establishing procedures. Handbooks are an efficient way to consolidate all the main policies and procedures in one place where all employees have access to it.

4. ***Fill the Positions:*** Once you have laid out all the details of the department, you will need someone, or multiple people, to execute these decisions and policies. While interviewing applicants, you will need to keep their roles and tasks assigned to those roles in mind. This will help you to sort through applicants to find the best fit for your HR needs and the HR roles you intend to fill.

Check Your Progress

Fill in the blanks:

1. HR planning is essential to determine the future __________ needs in an organisation.
2. ____________ involves collecting and manipulating data about employees and tracking their performance and progress as they move from job to job over a period.
3. Competency planning focuses on ________.
4. In ________ method, managers estimate future human resource requirements by using their experiences and judgements to good effect.
5. ________ helps in finding out the abilities or skills required to do the jobs efficiently.
6. _________ table shows the number of employees in each job.

3.6 LET US SUM UP

- HRP is a systematic process of reviewing human resource requirements to ensure that the required number of employees with requisite skills and knowledge are available when and where they are needed.
- It determines how the organisation should move from its current manpower position to its desired position. Through planning, management strives to have the right number and the right kind of people, at the right places, at the right time, doing things which results in both the organisation and the individual receiving maximum long-run benefits.
- Organisations use HRP as a means of achieving greater effectiveness.
- While developing HR Plans, managers should scan the external environment carefully to identify the effects of economic, social, competitive and governmental influences.
- To overcome problems such as lopsided focus on quantitative aspects, lack of support at the top level, inaccurate estimates due to poor search efforts, planners should install HRIS and implement the same sincerely.

- The future requirement for human resources arises from sales and production forecasts, effects of technological change on task needs, variations in the efficiency, productivity, flexibility of employees as a result of training, work study, organisational change, new motivations, changes in employment practices, e.g., use of agency staffs, hiving off tasks, buying in, substitution, variations, which respond to new legislation, e.g. payroll taxes, their abolition, new health and safety requirements, and changes in government policies, e.g., investment incentives, regional or trade grants.
- The HR planning process, it must be remembered, should be tuned to the organisational objectives and strategies.
- While developing HR plans, managers should scan the external environment carefully to identify the effects of economic, social, competitive and governmental influences.

3.7 LESSON END ACTIVITY

Suppose you are asked to manage a restaurant in a holiday resort near Dehradun. During the summer, it is profitable to keep the business open, but in winters you need only one half of the cooks, servers, supervisors and cleaners. What actions would you take in October for the beginning of the peak tourist season?

3.8 KEYWORDS

Human Resource Planning: The process of getting the right number of qualified people into the right job at the right time, so that an organisation can meet its objectives.

Human Resource Forecast: An attempt to predict an organisation's future demand for employees.

Human Resource Inventory: Describes the skills that are available within the company.

Succession Planning: An executive inventory report showing which individuals are ready to move into higher positions in the company.

Outplacement: The process of helping unwanted present employees finds new jobs with other firms.

Trend Analysis: Study of an organisation's past employment needs over a period of years to predict future needs.

3.9 QUESTIONS FOR DISCUSSION

1. Outline the determinants involved in the HRP.
2. Why is HR planning more common among large organisations than among small ones? What are the advantages of HR Planning for large organisations?
3. Discuss the problems in HRP. How can you plan for human resources in an effective manner?
4. Define HRP. Describe its characteristics and objectives. Explain the reasons for the growing interest in HRP in recent years.
5. Discuss the objectives and importance of HRP.
6. Discuss the various factors that affect the supply of human resources.

7. Describe the effective human resource planning.
8. Write short notes on:
   (a) Markov Analysis
   (b) Staffing Tables
9. What do you understand by replacement charts?
10. Discuss the various factors that affect the supply of human resources.
11. Write a short note on skill inventory.
12. What are the features of HRP? Explain the five key questions in HRP.
13. What is the responsibility for HRP? State the problems in HRP also.
14. Assume you have to develop an HR plan for a new-generation private sector bank having branches in major towns in India. What specific external factors would be important for you to consider. Why?
15. How can organisations develop accurate HR plans which, in turn, are impacted by a number of environmental factors over which managers have little or no control?
16. Outline the steps involved in the human resource planning process.

Check Your Progress: Answers

1. Manpower
2. Succession planning
3. Skills
4. Expert forecasts
5. Job analysis
6. Staffing

3.10 REFERENCE/ SUGGESTED READINGS

Armstrong, M. (2019). *Human resource management practice* (15th ed.). Kogan Page.

Bhattacharyya, D. K. (2020). *Human resource planning: An analysis of key determinants and processes*. Management Journal, 14

Dessler, G. (2022). *Human resource management: Strategic planning and execution* (17th ed.). Pearson Education.

Gupta, C. B. (2021). *Human resource planning and development*. Sultan Chand & Sons.

Mehta, R., & Sharma, A. (2019). *The importance and challenges of human resource planning in modern organizations*. Journal of Human Resources, 11(2), 59-74.

Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2021). *Human resource management: Gaining a competitive advantage* (10th ed.). McGraw-Hill Education.

Rao, T. V. (2020). *Effective human resource planning: Approaches and frameworks*. HRM Review, 19(1), 22-36.

Singh, P., & Verma, S. (2020). *Balancing demand and supply considerations in human resource planning*. International Journal of Human Resource Studies, 15(4), 18-33.

Srivastava, M., & Ghosh, R. (2018). *Determinants of successful human resource planning: An empirical review*. Journal of Organizational Management, 16(2), 47-61.

Wright, P. M., & McMahan, G. C. (2022). *Strategic human resource planning: Bridging the gap between theory and practice*. Journal of Human Resource Development, 18(2), 44-60.

UNIT 4

MANPOWER PLANNING

CONTENTS

4.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Understand the meaning and definition of manpower planning
- Discuss the objectives, principles and need of manpower planning
- Discuss the factors affecting manpower planning
- Discuss how to ascertain future manpower requirements
- Understand levels and forms of manpower planning

4.1 INTRODUCTION

An organisation must have a sufficient number of qualified persons and they must be available at the appropriate time. Manpower planning is also known as the human resource planning. Now the question is that how an organisation can move from its current manpower state to the preferred manpower state? It can be possible but there should be proper manpower planning. In brief manpower planning can be defined as the proper placement of human resources in an organisation according to their working skills at a proper time and on that place where they needed, where they can perform better and can use their skills completely. The over-staffing and under-staffing both can affect the organisation and can create the output issues for it. So manpower planning is an important positive feature in a good organisation. Manpower planning is essential for running organisations as well as the newly started organisations. We can say that manpower is that process in which we make it sure that the persons are available at the proper times and performing the task which meets the needs of the enterprise and give contentment for the persons who are involved in the task or job.

4.2 MEANING AND DEFINITION OF MANPOWER PLANNING

Manpower planning is determination of right number and right skills of human force to suit present and future needs. Manpower planning is defined by Stainer *"strategy for the requisition, utilization, improvement and preservation of an enterprise's human resource. It relates to establishing job specifications or the quantitative requirements of jobs determining the number of personnel required and developing sources of manpower"*. Manpower planning is a process determining the requirements of right number and right kind of human force at right place and right time.

According to M.N. Rudrobasavraj, *"Manpower planning may be defined as a strategy for acquisition, utilisation, improvement and presentation of enterprise human resources"*.

Edwin B. Geisler defined as, *"Manpower 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 me, doing work for which they are economically most useful"*.

Coleman Bruce P defined as, *"Man power planning is the process of determining manpower requirements and the leans for meeting these requirements in order to carry out le integrated plans of the organization"*.

E.W. Velter, defines manpower planning as *"The process which management determines how the organisation should love from its current manpower position. Through planning le management strives to have the right number and right type of people at the right place, at the right time doing things, which result in both the organisation and the individual receiving maximum long hour unbenefits"*.

Edwin B. Flippo defined Manpower planning as, *"the planning, organizing, directing and controlling of the procurement, development, compensation, integration and maintenance of people for the purpose of contributing to organizational, individual and social goals"*.

Each organisation needs manpower planning. An organisational unit is started to accomplish certain goals. Which requires human resources with necessary qualification? These are provided through effective manpower planning. Comprehensive manpower planning helps to optimise effectiveness of human resources. In an organisation, employees who have grown old or who resign, retire, die or become incapacitated because of mental or physical ailments have to be replaced and new employees have to be recruited. This can be done through manpower planning. It is also needed for identifying surplus or shortage in manpower areas and thereby balancing manpower. In short manpower planning provides right size and structure of human resources which provides the basic infrastructure for smooth functioning of an organisation. It minimises the cost of employment and nullifies the effects of disruptions in developing and utilising the human resources.

4.3 OBJECTIVES OF MANPOWER PLANNING

Objectives of manpower planning are to ensure optimum use of human resources currently employed. To assess future skills requirement, to provide control measures to ensure that necessary resources are available as and when required, to determine the requirement level, to anticipate redundancies and to avoid unnecessary dismissals and assess training and development needs.

The objectives of manpower planning are given below:

1. ***Optimum Productivity:*** Skilled and qualified workers are recruited or they become so, through the training programme provided by the organisation, through manpower planning. Hence, an organisation can achieve the effective optimum utilisation of human potential, which will result in optimum productivity and thereby, the production is carried out on uninterrupted.
2. ***Reduction in Labour Cost:*** Effective use of manpower and optimum productivity will reduce the wastage. It will reduce the labour cost.
3. ***Effective Recruitment and Selection:*** Right person can be placed at the right job and at right time through manpower planning. Therefore, effective recruitment and selection can be achieved so that there is no need to spend much amount on the training and labour turnover can be reduced.
4. ***Group Satisfaction:*** By establishing mutually satisfying work relationship between all the members of the organisation, group satisfaction and team spirit can be achieved.
5. It helps in maximising individual development.
6. Effective manpower planning may help the management in developing the good employer-employee relationship. It leads to improve the industrial relations.
7. It maximises the contributions and the satisfaction of the employees of a business.
8. It gives due consideration to the capacities, interests, opportunities and reactions of the workers.
9. To develop the future training and management development needs.
10. To avoid the staff surplus and unnecessary dismissals in the manpower planning.
11. To control the wages and salary costs.

4.4 PRINCIPLES OF MANPOWER PLANNING

The principles of manpower planning are:

1. ***Every Business Activity:*** Every business activity — sales, purchases, production, etc. needs men to direct and perform it. A business is no better than the people it has. The success of a business depends upon the capacity, ability, integrity, motivation and enthusiasm of the group of employees in it.
2. ***Participative Management:*** Workers must be recognised by the owners as partners in the business because both of them have a common interest. Workers must be encouraged to participate in the formation and development of all plans and programmes of the business.
3. ***Opportunities for Growth:*** A good business must provide reasonable opportunities for growth to each of its employee. Individual differences must be recognised. Decisions regarding the nature of action are based upon the understanding of the individuals comprising the group.

4. ***Social Justice:*** The management must consider the expectations and aspirations of the employees. There must be some system of public recognition and appreciation of meritorious work.

5. ***Co-operation with Trade Unions:*** The management must seek the co-operation of trade unions. It must try to avoid the likely points of conflict with the trade unions.

4.5 NEED OF MANPOWER PLANNING

Manpower planning is a two-phased process because manpower planning not only analyses the current human resources but also makes manpower forecasts and thereby draw employment programmes. Manpower planning is advantageous to firm in the following manner:

- Shortages and surpluses can be identified so that quick action can be taken wherever required.
- All the recruitment and selection programmes are based on manpower planning.
- It also helps to reduce the labour cost as excess staff can be identified and thereby overstaffing can be avoided.
- It also helps to identify the available talents in a concern and accordingly training programmes can be chalked out to develop those talents.
- It helps in growth and diversification of business. Through manpower planning, human resources can be made readily available and can be utilized in best manner.
- It helps the organisation to realise the importance of manpower management which ultimately helps in the stability of a concern.

4.6 FACTORS AFFECTING THE MANPOWER PLANNING

The main three factors which affect manpower planning are following:-

- ***Currently Reserved Manpower:*** The preparation of the detailed statement of the workers in a group according to their skills, their ages, date of joining, chances of promotion and date of retirement is must in an organisation. To take and evaluate the current stoke of the workers in a company is the first and important step of planning. For the analyses of the existing stoke of the workers it is necessary to study the state of the total stock of manpower by dividing it into the various groups on the basis of skills or qualification. It is very difficult to manage all that and this is the factor that affects the manpower planning.
- ***Wastage:*** It is the second most important factor affecting the manpower planning. For appropriate and good planning justify adjustment of the current stock of manpower should be prepared for the wastage of the manpower because of the unwanted changes in the organisation. There must be proper analyses of the manpower to overcome the problem of the wastage.
- ***Requirement of Manpower in Future:*** After the process of analysing existing stock and wastage of the manpower, one can easily predict the future requirements of manpower in industry taking into description of the future plans of group, government diplomacy and other factors of the productivity and replacement needs. One should also take into thought the achievable changes in the ideas of construction or production for the upcoming time in future.

4.7 ASCERTAINING FUTURE MANPOWER REQUIREMENTS

There are several techniques use for manpower requirements:

- ***Managerial Judgment:*** This technique is very simple. In this, the manager's sits together, discuss and arrive at a figure which would be the future demand for labour. The technique may involve a 'bottom-to-top' or 'top-to-bottom' approach.
- ***Trend Analysis;*** Method which forecast employment's requirements on the basis of some organisational index is one of the most commonly used approaches for projecting HR demand.
    - Business factor annual volume of sales.
    - Total number of employees.
    - Compare the productivity ratio.
    - Calculate human resources demand.
    - Forecasted human resource requirements.
- ***Ratio Analysis:*** Another approach, ratio analysis, means making forecasts based on the ratio between
    - Some causal factor (like sales volume).
    - The number of employees required.
- ***Scatter Plot:*** A graphical method is used to help identify the relationship between two variables. A scatter plot is another option. HR planner can use scatter plots to determine whether two factors – measure of business activity and staffing levels are related.
- ***Computerised Forecast:*** The determination of future staff needs by projecting a firm's sales, volume of production, and personnel required to maintain this required volume of output using computers and software packages. Employers also use computerised system to personnel requirements.
- ***Work Study Technique:*** Work study technique is based on volume operation and work efficiency of personnel. Volume of operation is derived from the organisational plan documents and increase/decrease in operation can be measured.
    - Planned output.
    - Standard output per hour x standard hours per person.
- ***Delphi Technique:*** This technique calls for a facilitator to solicit and collate written, expert opinion on labour forecast. After the answer is received, a summary of the information is developed and distributed to the expert, who is then requested to submit revised forecast. Experts never meet face-to-face, but rather communicate through the facilitator.
- ***Regression Analysis:*** Regression analysis identifies the movement of two or more inter-related series. It is used to measure the changes in a variable as a result of changes in other variables. Regression analysis determines the relationship between Y variables such as the number of employees and X variables such as service delivery by actually measuring the relationship that existed in the past. Use of the method begins with a series of observation each costing of a value for the Y variable plus a value for each X variable.

- ***Econometric Models:*** Econometric models for estimation of manpower requirement differ from the statistical methods. Past statistical data are analysed in the hope that it will prove possible to describe precisely the relationships between a number of variables in mathematical and statistical terms.
- ***H R Budget and Planning Analysis:*** There are several other ways by which planners can estimate the future demand for human resources. One approach is through budget and planning analysis. When new ventures complicate employment planning, planners can use new-venture analysis.
- ***Workload Analysis:*** It is a method that uses information about the actual content of work based on a job analysis of the work. Workload analysis involves use of ratios to determine HR requirement. Both the number of employees and the kind of employees required to achieve organisational goals that are identified.
- ***Job Analysis:*** Job analysis helps in finding out the abilities or skills required to do the jobs efficiently. A detailed study of jobs is usually made to identify the qualification and experience required for them.

4.8 LEVELS OF MANPOWER PLANNING

The various levels of the manpower planning are discussed below:-

- ***Plant (Basic) Level:*** On the basis of past data and future protrusions the committee perform the human resource planning at the plant level. These committees prepare the plan of human resources for the upcoming year, counting the number of employees and the resources which could be used to meet these necessities. It would also conclude the employees who are permuted for the yearly manpower arrangement.
- ***Divisional Level:*** The divisional team would join together all the manpower plans of its strategies of its undergrowth as well as those of the divisional force selection into a broad divisional manpower planning details which turn wise would be submitted to the top board.
- ***Top Level:*** At the top stage of departmental (divisional) plans are reviewed and incorporated with manpower tactics for head office body. Special importance is located at this level on the management enlargement plans. At last the company's manpower plans are included with the secretarial plans.

4.9 FORMS OF MANPOWER PLANNING

Manpower planning is essentially the task of trying to place the right people in the right situations, depending upon where their strengths and skills are. Manpower planning can be placed into three major categories: short-term, intermediate-term and long-term. Each of these types has its own significance and importance.

4.9.1 Short-Term Manpower Planning

It is concerned with the process of matching the existing employees with their present jobs so that they perform efficiently. There should be perfect correlation between the jobs and individuals. In the short run, it is the duty of the management to adjust employees with the jobs. It is very difficult to retrench the employees due to legal constraints and social obligations on the part of the employer. Some adjustments in the jobs should be made in the short run to accommodate the employees.

Following steps may be taken for successful implementation of short term manpower planning:

(A) When employee is less qualified as compared to job specifications, qualifications, etc.

Following steps may be undertaken:

i) Employees are given training for improvement in performance.

ii) If the job is not liked by the employee, it may be changed.

iii) Transfer and demotion also helps in adjustment of employees.

iv) In case of responsible jobs, assistants may be provided for help.

(B) Sometimes the employee is more qualified than the requirements for a job:

Under such circumstances the abilities and skills of the employee are not utilised to the fullest extent. Following steps may be taken for making adjustments:

i) Job enlargement may be undertaken i.e., scope of the job undertaken by the employee may be widened.

ii) If there are vacant positions at the higher levels, promotion may be given to the employees.

iii) Advice and counselling may be sought from the employer.

iv) The employee may be given additional temporary assignments.

4.9.2 Intermediate-Term Manpower Planning

Intermediate-term manpower planning involves a lot more uncertainty at every phase of manpower planning. The main question that must be asked is, "What will we need?" The task becomes less about evaluating what is available now and more about forecasting. Often, a lot of these questions are answered based upon the judgment and discretion of mid level management. Establishing objectives in this type of manpower planning usually involves trying to adjust employees' skills to match those that will be needed in the immediate future.

4.9.3 Long-Term Manpower Planning

Under long term planning, management has ample time to make required adjustments by taking necessary steps. Long term manpower planning covers a longer period say 15 to 20 years or so, for meeting manpower requirements of a concern.

Following steps are suggested in case of long term manpower planning:

(i) ***Projecting Manpower Needs:*** The first important step in long-run manpower planning is to develop that organisational structure that will meet future manpower requirements in the best possible manner. The basic aim is to keep pace with the changes in future. Due to rapid technological advancement at present, it is not an easy task to predict accurately future jobs needed for the organisation. It may be pointed out that if the process of manpower planning is systematically undertaken, it brings about the desired results. An analysis of the under mentioned problems in the process of manpower planning may be helpful in projecting the future manpower need of an organisation.

  (a) Rate of loss of manpower due to retirement, separation, resignation and retrenchment must be predicted and the need for replacement must be kept in mind.

  (b) Need of new manpower requirements over and above the replacements should be predicted.

(c) Job specifications i.e., qualifications and abilities needed for different types of jobs must be clearly laid down.

(ii) ***Inventory and Analysis of Manpower:*** Manpower inventory and analysis involves the appraising of personnel by cataloguing their characteristics by incorporating their educational and professional qualifications. The personnel inventorying includes the counting of number of persons available at present. It does not include counting of employees only but extends to the determination of personnel to be inventoried, systematic and detailed appraisal of those individuals (after cataloguing them) and a detailed study of those who possess good potential for development. It can be concluded that manpower inventory and analysis provides valuable information pertaining to present and future employees in the organisation. The information may not be completely accurate but is valuable and provides basis for the recruitment, selection and training processes to be followed in the organisation in the days to come.

(iii) ***Recruitment and Selection:*** Long term manpower planning establishes the processes of recruitment and selection on proper lines. It brings about scientific recruitment and selection methods, which in turn helps in appointing the best type of employee in the organisation.

(iv) ***Development and Training of the Employees:*** Manpower planning is concerned with development and training of employees to take up new and challenging tasks and responsibilities. Well trained employees are invaluable assets for the organisation.

Check Your Progress

Fill in the blanks:

1. Effective use of manpower and optimum productivity will __________ the wastage.
2. Effective manpower planning may help the management in developing the good __________ relationship.
3. __________ technique may involve a 'bottom-to-top' or 'top-to-bottom' approach.
4. __________ technique is based on the volume operation and work efficiency of personnel.
5. __________ models for estimation of manpower requirement differ from the statistical methods.
6. __________ manpower planning covers a longer period say 15 to 20 years.

4.10 LET US SUM UP

- Manpower planning is a process determining requirements of right number and right kind of human force at right place and right time. Manpower planning provides right size and structure of human resources which provides the basic infrastructure for smooth functioning of an organisation. It minimises the cost of employment and nullifies the effects of disruptions in developing and utilising the human resources.
- To assess future skills requirement, to provide control measures to ensure that necessary resources are available as and when required, to determine requirement level, to anticipate redundancies and avoid unnecessary dismissals and assess training and development needs.

- Manpower planning is a two-phased process because manpower planning not only analyses the current human resources but also makes manpower forecasts and thereby draw employment programmes.
- Manpower planning is essentially the task of trying to place the right people in the right situations, depending upon where their strengths and skills are. Manpower planning can be placed into three major categories: short-term, intermediate-term and long-term.

4.11 LESSON END ACTIVITY

Is manpower planning only relevant to large companies or should small businesses do HR planning too? Share your opinion.

4.12 KEYWORDS

Manpower Planning: It is determination of right number and right skills of human force to suit present and future needs.

Participative Management: Participative management refers to as an open form of management where employees are actively involved in organisation's decision making process.

Trend Analysis: A trend analysis is a method of analysis that allows traders to predict what will happen with a stock in the future.

Ratio Analysis: A ratio analysis is a quantitative analysis of information contained in a company's financial statements.

Scatter Plot: A graphical method used to help identify the relationship between two variables.

4.13 QUESTIONS FOR DISCUSSION

1. Define manpower planning.
2. Discuss the objectives of manpower planning.
3. What are the principles of manpower planning?
4. Discuss the need of manpower planning.
5. What are the three main factors which affect manpower planning?
6. Discuss several techniques use for manpower requirements.
7. Describe various levels of the manpower planning.
8. Explain steps may be taken for successful implementation of short term manpower planning.
9. Discuss long-term manpower planning.

Check Your Progress: Answers

1. Reduce
2. Employer-employee
3. Managerial judgment
4. Work study
5. Econometric
6. Long term

4.14 REFERENCE/ SUGGESTED READINGS

Armstrong, M. (2019). ***Human resource management practice: Manpower planning and development*** **(15th ed.). Kogan Page.**

Bhattacharyya, D. K. (2021). ***Manpower planning: Objectives, principles, and future considerations.*** **Journal of Management Studies, 17(3), 45-62.**

Dessler, G. (2022). ***Strategic manpower planning and resource management*** **(17th ed.). Pearson Education.**

Gupta, C. B. (2020). ***Essentials of manpower planning in modern organizations.*** **Journal of Human Resource Management, 14(1), 12-28.**

Mehta, R., & Sharma, P. (2019). ***Factors affecting manpower planning in dynamic business environments.*** **International Journal of Human Resources, 11(3), 54-71.**

Rao, T. V. (2020). ***Manpower planning: Short-term, intermediate-term, and long-term approaches.*** **Journal of HRM Review, 19(2), 24-38.**

Singh, S., & Verma, R. (2018). ***Manpower planning principles and strategies for future workforce requirements.*** **Journal of Organizational Management, 13(4), 33-49.**

BLOCK II

UNIT 5

GROUP DYNAMICS

CONTENTS

5.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Understand the meaning and definition, importance, advantages and principles of group dynamics

- Discuss the five propositions about groups
- Discuss the classification of group
- Discuss the concept of group cohesiveness and group conflicts
- Describe the factors affecting group dynamics

5.1 INTRODUCTION

Within an organisation we do find number of groups. Individuals joining group(s) is a reality – may be formal or informal groups. People work in groups quite frequently and in many different areas of their life e.g., at work, school/college, sport, hobbies, etc. The managers need to understand Group Dynamics that can enable managers to adopt the right approach of interacting with them. In this lesson, we will emphasise on understanding the group dynamics in an organisation. There are many examples where the managers decide to take a decision on his own or to rely on groups by holding meetings or making committees. In management, small groups with which he interacts are very important for a manager. It may consist of his peers or colleagues, other managers, specialists or others who really help the manager to take an effective decision. You might have also come across instances of well-knit and cohesive groups, which really make a superior performance under a good leader. For all these purposes, you must try to gain understanding of how to manage a group and how to become a more effective group member. You must always keep in mind that group is a part of a larger organisation with which it interacts. Therefore, it is must to understand the meaning and concept of group dynamics.

5.2 UNDERSTANDING GROUP DYNAMICS

From times immemorial, man has lived in a social system (a large group), and the family (a small group) is an integral part of it. On this earth, there are groups, large or small, which influence our social system, social relations, and communication.

Groups exist in every organisation and they affect the behaviour of their members and also other groups. They have also an impact on the whole organisation. If one wants to study an organisation, one will have to understand the groups existing in that organisation and their functioning. There are so many small groups in an organisation.

Group dynamics is the process by which people interact face to face in small groups. When Kurt Lewin (1951) described the way groups and individuals act and react to changing circumstances, he named these processes group dynamics. But Lewin also used the phrase to describe the scientific discipline devoted to the study of these dynamics. Lewin used the term group dynamics to stress the powerful impact of these complex social processes on group members. There are several views which essentially interpret this differently.

Group dynamics deal with the attitudes and behavioural patterns of a group. Group dynamics concern how groups are formed, what is their structure and which processes are followed in their functioning. Thus, it is concerned with the interactions and forces operating between groups.

Such groups are formed by the organisation by dividing its ultimate task into small tasks which are assigned to various sub-units known as departments, sections, units, etc. Besides, there are many other groups which are created automatically (may be called informal groups) because of the operation of socio-psychological factors at the work place.

The social process by which people interact face to face in small groups is called group dynamics. Interaction in small groups is not always governed by rules, regulations, and conventions though well established.

The word 'dynamics' is originally a Greek word implying force. Thus, group dynamics means the study of forces operating within a group in social interaction. It concerns the interactions and forces between group members in a social situation. When the concept of group dynamics is applied to organisational behaviour, the focus is on the dynamics of members of formal and informal groups in the organisation.

The term group dynamics has been interpreted in many ways. One view is that it deals with how the groups are formed, and function. The other view is that group dynamics is a state of techniques such as role playing, brain storming, leaderless group; group dynamics, thus, should be viewed in terms of the internal nature of groups, their information, structure and processes, and the way they affect individual members, other groups, and the organisation. This view is more prevalent.

There are 3 views about group dynamics:

1. First view describes how a group should be organised and conducted, stressing more on democratic leadership and members' participation.
2. Second view describes the techniques used in group dynamics, for instance, role playing, leaderless groups, brainstorming, group therapy, transactional analysis, etc.
3. Third view describes group dynamics from the perspective of internal nature of groups; the structure, processes, reasons and methods of their formation, their influence within the group, with other groups and with the organisation.

Group dynamics is relevant to groups of all kinds – both formal and informal. If the UPA government has set up Group of Ministers for every governance issue, the Supreme Court of India has 27 Group of Judges committees overseeing all manner of non-judicial work in the apex court. In an organisational setting, the term groups are very common and the study of groups and group dynamics is an important area of study.

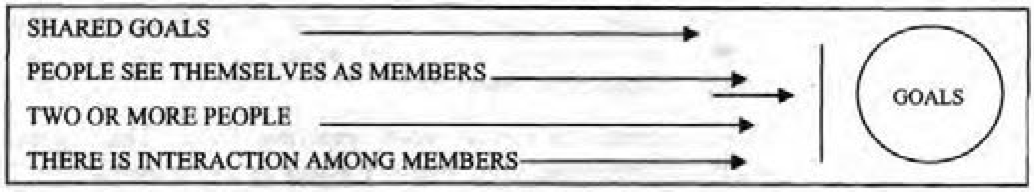
Let's first define a group in the light of group dynamics before discussing in depth the types of groups. A group can be defined as "a collection of individuals in which there is (1) interaction among members, (2) perception of group membership, (3) shared norms and values, and (4) fate interdependence (what happens to one group member affect other group members and what happens to the group as a whole affects the individual members)."

Example: In an organisation, employees who work in the same area of the plant or office or managers with offices close to one another would more probably form into groups than those who are not physically located together.

5.2.1 What is A Group?

Every organisation is a group unto itself. A group refers to two or more people who share a common meaning and evaluation of themselves and come together to achieve common goals. In other words, a group is a collection of people who interact with one another, accept rights and obligations as members and who share a common identity.

A 'group' is defined as two or more individuals, interacting and independent, who have come together to achieve particular objectives.



5.3 CONCEPTS ABOUT COLLECTION OF PEOPLE

Over the years, several terms have been used to define collection of people. Some of the most prevalent ones are:

i. ***Crowd:*** A large number of people gathered together in a random manner.

ii. ***Congregation:*** A crowd or mass assembled for an objective.

iii. ***Collectivity:*** Constitution of a number of individuals to be identified as one.

iv. ***Groups and Teams:*** A group in any organisation is typically defined as two or more people who interact regularly to accomplish a common purpose or goal.

In any organisation, one can generally find three fundamental kinds of groups, viz.,

i. functional groups

ii. task groups

iii. teams.

5.3.1 Functional Group

It is a group created by the organisation to accomplish a variety of organisational purposes with an indeterminate time horizon. For example: The production department in HMT Ltd. or the law faculty in a University are examples of functional groups. These remain in existence even after attaining their current objectives. The objectives keep on changing with the passage of time.

5.3.2 Task Group

It is a group created by an organisation to accomplish a specific purpose or specific range of purposes within a stated time horizon. These are generally, specifically created by an organisation, for assigning specific members and are disbanded after achievement of its functions. Examples of task groups are constitution review groups of parliament or a group at Intel for the development of a new microprocessor.

5.3.3 Team

A team is a group of workers (personnel) that performs as a unit, often with little or no supervision, to carry out organisational functions. In modern times, they are called self-managed teams, cross functional teams or high performance teams. Many business organisations today use teams to carry out the daily operations.

Types of Teams

Teams can be classified as follows:

a) ***Problem Solving Team;*** It is the most common type of team. It comprises generally of knowledgeable workers who come together to solve a specific problem and then disband.

b) ***Management Team***: Management team consists generally of managers from specific functions like marketing, finance, etc., and typically coordinate the work of other teams.

c) ***Work Team:*** An increasingly common type of team, work teams are responsible for day-to-day work of organisations. Work teams, when empowered, are termed as self-managed teams (SMT).

d) ***Virtual Team:*** It is a new-technology oriented team that interacts through technology aids like computers. Members of the team enter or leave the teams as required, by task at hand and leadership changes.

Graphically these can be represented as:

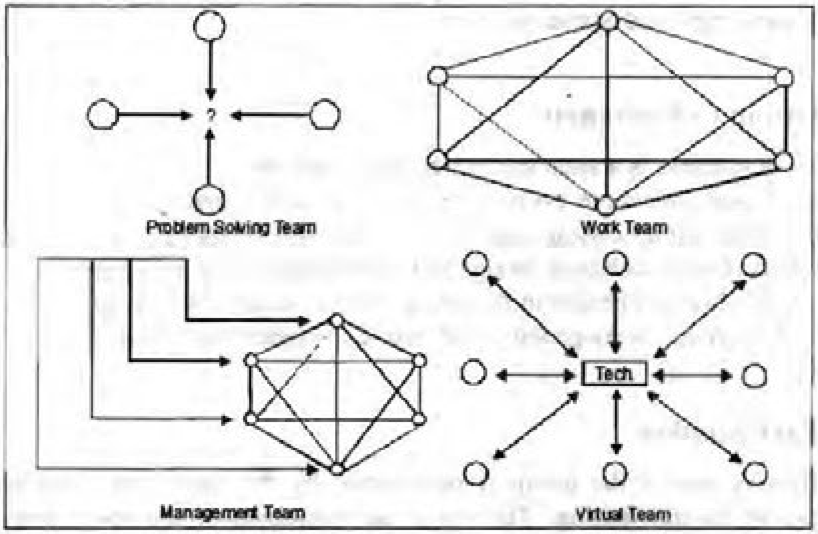


Figure 5.1: Structure of Teams Categories

5.4 BEHAVIOUR IN GROUPS

Social variables influence the manner perception and judgement particularly in a group setting. Focus should be on the individual. But the group itself should be studied as a whole because the product of group interaction cannot be indicative of the performance of the individual outside the group. Both the composition and the behavioural history of a group are determinants of its stimuli for the individual members. The group also determines the nature and patterns of reinforcement; the members receive in the course of their interaction with another. The group influences the behaviour of individuals in many ways such as in the form of conformity to group norms, group cohesiveness, group participation, group competition, and group problem solving. These characteristics are found in both formal and informal groups.

5.4.1 Conformity to Group Norms

There are certain norms of the group which the group members are to follow: they are expected to behave in the same manner. This normative behaviour of the members helps the managers of the organisation to understand how and why an individual will behave in accordance with the group norms. Group norms perform two main functions. First, norms help the group to achieve its goals: they bring uniformity of action towards the goals. Second, norms help the group maintain itself as a group; these ensure that divisive forces in the group may be put under pressure against their behaviour.

People conform to group norms also for their own benefit. But the degree of conformity differs from member to member. Researches on this aspect of group dynamics present the following conclusions:

1. The degree of conformity to group norms depends upon the status of the group and its members. Within a group, it has been observed that the higher the rank of a person, the more nearly his activities conform to group norms.
2. Seniority also influences the degree of conformity. A new person may be expected to adhere more closely to norms than a senior person.
3. Pressure of conformity increases with the increase in the number of persons agreeing to the norms.
4. On applying rigid standards to evaluate the norms, non-conformity is likely to increase.

5.4.2 Group Cohesiveness

Group cohesiveness is a situation in which all members of the group work together for a common goal, or where everyone is ready to take responsibility for group chores. The greater the group cohesiveness, the greater will be its influence on the behaviour of members. Group cohesion brings low absenteeism and high personal adjustments. Many factors bring cohesion in the group such as degree of dependency on the group, size of the group, homogeneity and stable membership, competition, and outside pressure.

5.4.3 Participation

The effectiveness of the group is determined by the degree of participation of its members in its functioning. The more the participation, the more effective is it's functioning. Better participation results in high morale and better labour-management relationships, in addition to increased productivity.

5.5 IMPORTANCE OF GROUP DYNAMICS

Group dynamics means study of various forces operating within a group in the social interactions. A supervisor must understand these forces to understand the behaviour of the individual in the group, and their influence on the organisation. He must also understand the possible effects of managerial actions on the group and the individuals to be able to handle them properly, and to make necessary adjustments between the organisations and the groups operating in the organisation. There are certain other aspects which the supervisor or the management should consider before taking any action. Some of questions which need attention of the supervisor are — How should we consider the relationship between the individual and the group? Are the needs of the group individual needs, and if so, what are the properties of the group? Do groups learn? Do they have goals? Do they develop? Are they formed and deformed? Are groups good or bad? How do individuals behave with the group? Researches have been and are being done to answer these and other related questions about individual and group behaviour.

In this age of behavioural science, we think, we should be rational and unbiased but can we? No, it is not absolutely possible because there are still certain preconceptions about the realities and qualities of the group that guide us. Generally, these preconceptions are integral parts of the individual philosophy. Such preconceptions may be positive or negative.

People having negative viewpoint think that groups are the product of distorted thought processes. They think that groups are not good because their members are loyal to the group without their heads and brains.

There is another view where people consider groups as an integral part of their life. They are of view that groups must exist, and acceptance or non-acceptance of an individual by the group means much to that individual and to the group. It proves the existence and importance of the group. In their view, groups are good because they satisfy their higher order needs such as affection, recognition, and self-esteem. Groups provide the means to get such things through mutual interactions that a person can never achieve individually. The intention of the promoters of group dynamics was that work should be done in groups. Individual responsibility and, man to man, supervision is bad. Committee meetings, group decisions, collective problem solving, and group therapy are an index of group prosperity.

Though group dynamics studies the relationship of individuals with the group yet we regret that each individual differs in attitude and behaviour. The manager or supervisor of an organisation must not forget that each member of a positive group does not have similarity of views in a particular situation and they have their own self-respect. However, they are loyal to the group norms to maintain cohesiveness in the group.

5.6 FIVE PROPOSITIONS ABOUT GROUPS

The assumption that interests of individuals and of the group are quite inconsistent needs close consideration. We are giving hereunder five propositions about individuals, groups, and group dynamics which challenge the assumption that there is an inconsistency between individuals and groups. The management must understand this well.

(i) ***Groups do Exist:*** Groups do exist and they affect human behaviour to a great extent. A man joins the group (family) by birth and lives in the group till his last moment. A man, when he joins the group, is a member of the group, whether good or bad for the group. He may be well named or he may cause hardship to the whole group. He may bring important changes in the very structure of the group and, consequently, may affect the attitudes, feelings, and behaviour of all other members of the group. The development and adjustment of the new member may also be affected by the attitude of the group. Thus, groups are necessary for the individual and they influence him and are influenced by him.

A satisfactory interpretation of the researches about group dynamics can be made only when we accept the existence of the group. The study of Elton Mayo and his associates proves that the group develops certain behavioural norms to be followed by the group members, and they accept them as their individual values.

(ii) ***Groups are Inevitable and Ubiquitous:*** Groups are inevitable at all places and at all levels. Man cannot live without groups. There are a number of factors like biological nature, language, capacity, environment, etc., that force a man to live in groups. Groups do not represent individuals and, therefore, it is not necessary that the group should possess all the qualities that its members possess.

(iii) ***Groups Mobilise Powerful Forces:*** Groups mobilise powerful forces that are important for individuals. Researches show that members of highly cohesive groups have less anxiety than the members of the less cohesive groups. There are two main reasons for this relationship between group cohesiveness and members' anxiety—(i) cohesive groups provide support to their members against the environmental factors causing anxiety to them, and (ii) group membership provides inner satisfaction to the individual which results in lessening their anxiety.

(iv) ***Groups may Produce Good and Bad Consequences:*** All groups are neither good nor bad: they produce good or bad results; or consequences may be good for some members while bad for some other members. It depends on various factors. We are prejudiced when we consider only one aspect and ignore the other.

(v) ***Group Dynamics Permit Desirable Consequences:*** A correct understanding of group dynamics enhances the possibility of desirable consequences, because the knowledge of group dynamics suggests the necessary adjustments in human behaviour. In short, we can say that groups are inevitable. They affect people's behaviour and are influenced by them. Groups may be good or bad. We may increase group qualities and cohesiveness with the study of group dynamics. The management must also study group dynamics to understand individual behaviour and group behaviour.

5.7 CHARACTERISTICS OF GROUP

Regardless of the size or the purpose, every group has similar characteristics:

1. ***Two or more Persons:*** A single individual cannot form a group. For group formation, atleast two persons are must. There is no specific limit on the maximum number of persons to form a group.
2. ***Collective Identity:*** Each group member knows one another. Each member of the group perceives that he/she is a part of group.
3. ***Interaction:*** There is an interaction among the members of the group. Each member shares his ideas with others through different communication methods such as face-to-face, in writing, over the telephone and across a computer network.
4. ***Common Purpose:*** The members of the group work to achieve some common objective or purpose. In fact, it is the common purpose that binds the group members together.

5.8 CLASSIFICATION OF GROUP

There are two types of groups in every organisation: Formal groups and Informal groups.

5.8.1 Formal Groups

An organisation creates and maintains formal groups to fulfill needs or tasks that are included in its mission or organisational goals. In order to achieve its ultimate goal, an organisation creates sub-goals which it assigns to different units or departments. These formal groups created by the organisation itself are regulated by the organisational rules and regulations.

Life of the formal groups may be permanent or temporary depending upon the specific objectives to be fulfilled. Examples of permanent formal groups are board of directors, managing committees, etc. and temporary formal groups are exemplified by task force or temporary committees created to fulfill certain specified objectives.

Formal group can be subdivided into:

- ***Command Group:*** It is formed by subordinates reporting directly to a given manager. It is determined by the organisation chart. It is permanent. For example in the Ministry of Education and Sport, the secretary and his four joint secretaries form a command group.
- ***Task Group:*** It consists of people working together to complete a particular task. It involves a cross-command relationship. Members may not necessarily report to the same supervisor. It is relatively temporary. Task group is formed to complete a specific work assignment. Task force is an example of such group. All command groups are task groups. But all task groups are not command groups.

5.8.2 Informal Groups

Informal groups are created voluntarily and spontaneously due to the socio-psychological forces operating in the workplace. Individuals working together often develop liking for each other and socialize with each other to overcome the psychological fatigue, boredom and monotony associated with their work.

Informal groups are formed as they satisfy the social needs of individuals while at work. As they are not created by the organisation, the working of informal groups is not regulated by organisational rules and regulations.

As informal groups are smaller in size as compared to formal groups group-cohesiveness is easy to maintain. Inspite of this, informal groups are not very stable. The instability is primarily due to the personality differences between the members of the informal group.

An individual having the capacity to fulfil maximum needs of group members emerges as the informal leader and remains till the members think him capable of it. They are neither formed nor abolished by the management, rather if the management ever tries to abolish informal groups, then it may lead to alienation of employees as a protest against the management's actions.

For example: Mr. Sharma was at his wits end. As a newly appointed production manager, he had tried virtually everything to get his workers to achieve the production targets. The equipment was operating properly, and the group had the training and experience to meet expectations, yet it was not performing well. What was wrong? And what could he do to correct the situation? Managers and supervisors frequently face such a dilemma. What Mr. Sharma and other managers/supervisors sometimes fail to realise is that within every organisation there are often informal group pressures that influence and regulate individual behaviour.

Informal groups formulate an unspoken set of standards establishing acceptable behaviour in Mr. Sharma's department, the informal group may have established a norm below that set by the organisation. They were working to reach the target set by their group as they had decided that the targets set by their managers was not acceptable to their group members.

Informal group can be subdivided into:

- ***Interest Group:*** It is people working together to attain a specific objective with which each is concerned. Members have common interests. A familiar example of interest group in Nepal is employee banning together to reinstate a colleague who has been fired by management.
- ***Friendship Group:*** It is a group of people who have one or more common characteristics. It is a social alliance of friends who do many activities together. An example of friendship group are ethnicity based groups, groups of people coming from a particular region (Sunsari sangam, Kaskeli samaj), or group of people speaking the same language or holding similar.

Dynamics of Informal Groups

Informal groups almost always arise if opportunities exist. If management prescribes production norms that the group considers unfair, the group's recourse is to adopt less demanding norms and to use its ingenuity to discover ways in which it can sabotage management's imposed standards. Thus they counteract the tendency of the organisation to get more output from the workers.

Informal groups have a powerful influence on the effectiveness of an organisation. But the informal group's role is not limited to resistance. The impact of the informal group upon the larger formal group depends on the norms that the informal group sets. So the informal group can make the formal organisation more effective, too.

A norm is an implied agreement among the group's membership regarding how members in the group should behave. From the perspective of the formal group, norms generally fall into three categories - positive, negative, and neutral. In other words, norms either support, obstruct, or have no effect on the aims of the larger organisation.

For example, if the informal group in Mr. Sharma's shop set a norm supporting high; output, that norm would have been more powerful than any attempt by Mr. Sharma to force compliance with the standard. The reason is simple, yet profound. The norm is of the group members own choice, and is not one imposed upon them, There is a big motivational difference between being told what to do and being anxious to do it.

If Mr. Sharma had been aware of group dynamics, he might have realised that informal groups can be either his best friend or his worst enemy. He should' have been sensitive to the informal groups within his area and he should have cultivated their goodwill and cooperation and made use of the informal group leadership.

That is, he should have wooed the leadership of the informal group and enlisted the support of its membership to achieve the formal organisation's aims.

For harnessing the power of informal groups one should have:

1. An understanding of group dynamics and,
2. An ability to bring about changes in informal group norms that positively reinforce the formal organisation's goals.

Formation of Informal Work Groups

Individuals are employed by an organisation to perform specific functions. The organisation is only concerned with the job done by an individual-the output. Because people have needs that extend beyond the work itself, informal groups develop to fill certain emotional, social and psychological needs. The degree to which a group satisfies its members' needs, determines the limits within which individual members of the group will allow their behaviour to be controlled by the group.

Sense of Belonging

Several major functions are served by informal groups. For example, the group serves as a means of satisfying the affiliation needs of its members for friendship and support. People need to belong, to be liked, to feel a part of something. Because the informal group can withhold this attractive reward, it earns the power to exploit group members to comply with its norms.

Identity and Self-esteem

Groups also provide a means of developing, enhancing and confirming a person's sense of identity and self-esteem. Although many organisations attempt to recognise these higher needs, the nature of some jobs-their technology and environment-precludes this from happening. The long assembly line or endless rows of desks reinforce a feeling of depersonalisation.

Stress Reduction

By developing a consensus about their feelings, group members are able to reduce the anxiety associated with their jobs. For instance, several individuals may share the feeling that their supervisor is a slave driver or that their working conditions are inadequate.

Leadership of Informal Work Groups

Informal groups possess certain characteristics that can be used to advantage. While many of these characteristics are similar to those of formal organisations, others are unique. One attribute of informal groups is rotational leadership.

The informal leader emerges as the individual possessing qualities that the other members perceive as critical to the satisfaction of their specific needs at the moment; as the needs change so does the leader. Only rarely does a single individual possess all of the leadership characteristics needed to fill the various needs of the group.

Unlike the formally appointed leader who has a defined position from which to influence others, the informal leader does not possess formal power. If the informal leader fails to meet the group's expectations, he or she is deposed and replaced by another.

The supervisor can use several strategies to affect the leadership and harness the power of informal groups. One quick and sure method of changing a group is to cause the leader to change one or more of his or her characteristics. Another is to replace the leader with another person.

One common ploy is to systematically rotate out of the group its leaders and its key members. Considering the rotational nature of leadership, a leader may emerge who has aims similar to the formal goals of the organisation.

The supervisor can attempt to 'co-opt' informal leaders by absorbing them into the leadership or the decision-making structure of the formal group and thereby make the formal organisations more stable. However, a leader may lose favour with the group because of this association with management, and group members will most likely select another leader.

Communications Network—the Grapevine

In the informal group, a person who possesses information vital to the group's functioning or well-being is frequently afforded leadership status by its members. Also, the centrally located person in the group is in the best position to facilitate the smooth flow of information among group members.

Knowing about informal group communication the supervisor can provide a strategically placed individual with information needed by the group. This not only enhances the stature of this individual perhaps elevating him or her to a leadership position but also provides an efficient means of distributing information.

Providing relevant information to the group will also help foster harmony between the supervisor and the informal group. By winning the cooperation of informal group leaders the supervisor will most likely experience fewer grievances and better relationships.

5.9 GROUP COHESIVENESS

The term 'cohesion' implies "solidarity". Group cohesiveness may be characterised by the situation in which all members of the group work together to achieve a common goal, or where everyone takes responsibility to work for the group goals. Group cohesiveness may be described as the force which keeps the members of the group together. The main aim of the group is to satisfy its members' needs. The more needs it satisfies, the more attractive it becomes for the members of the group and more loyal the members become to the group. Cohesion is essential not only for the existence of the group but also for the achievement of the group's objectives. If group cohesion is high, the interaction between members will be high.

Cohesiveness has a direct bearing on group behaviour. The greater the group cohesiveness, the greater will be its influence on the members' behaviour. A cohesive group is able to act as one body to achieve its goals. In a cohesive group, the group members are apt to conform to group norms. Conformity to group norms is essential for the effective functioning of the group. Thus, conformity and cohesiveness are interrelated and are reinforcing factors. According to Shaw, members of highly cohesive groups are more energetic in group activities, are less likely to be absent from group meetings, and are happy when the group succeeds, and sad when it fails, whereas members of less cohesive groups are less concerned about the group's activities: the members are not dedicated to the group and its purposes; their loyalty and support are mediocre or variable.

According to Walker, *"Cohesiveness may be defined as the resultant power of a group to think and act as a single unit in pursuit of a common objective"*.

According to Likert, *"Cohesiveness is the attractiveness of the members to the group or resistance of the members to leaving it"*.

According to Seashore, *"Group cohesiveness is the attraction of the members to the group in terms of the strength of forces on the individual members to remain active in the group and to resist leaving it"*.

A cohesive group is one in which all the members work towards a common goal by taking responsibilities voluntarily and leave no stone unturned in their efforts to achieve their common goal. An effective leader plays a major role in keeping the members close knit, thereby increasing the group cohesiveness.

Group cohesiveness varies widely based on numerous factors - including the:

a) Size of the group — smaller groups has more cohesiveness.

b) Dependence of members upon the group — more the dependence more will be the group cohesiveness.

c) Achievement of goals — If all members are in unison regarding achieving common goals, their group cohesiveness increases the chances of their being successful in achieving their goals.

d) Status of the group — high status group has more loyal members that confirm to the norms of the group.

e) Management demands and pressures — group cohesiveness increases strongly whenever the membership perceives a threat from outside. This threat produces high anxiety that strong group cohesiveness can help reduce.

If the supervisor presses the group to conform to a new organisational norm that is viewed as a threat to the security needs of group members, the group will become more unified in order to withstand the perceived threat. With the passing of the threat the group tends to lose its cohesiveness.

Supervisors can use the factors that affect group cohesiveness in favour of the management. For instance a supervisor can involve the informal group members in the decision-making process.

Input from group members will not only reduce their feeling of alienation but also improve communication between the supervisor and subordinates thereby reducing potential conflict. Where group participation in decision making is not practical the supervisor should carefully explain the reasons to play down what might be seen as a threat to the group.

5.10 FACTORS AFFECTING GROUP DYNAMICS

There are several forces or factors that bring cohesion in the group:

1. ***Degree of Dependency on the Group:*** Members join the group because it satisfies certain needs. The more highly dependent a person is on the group for his need satisfaction, the greater will be the group attractiveness and, consequently, greater is its cohesiveness.

2. ***Size of the Group:*** Size of the group affects interaction among group members in inverse direction, and also affects group cohesiveness. The larger the group size, the lesser the cohesiveness, due to problems of interaction among members of the group, lack of appreciation of each other's problems. Difficulty arises in achieving the common goals if the group is large. Hence, the entire group dynamics revolves round the small group. It is one of the reasons why informal group are smaller in size.

3. ***Homogeneity and Stable Membership:*** Groups whose members have diverse interests and different backgrounds are often less effective or cohesive. Similarly members, if they have stable relations, enhance group cohesiveness. It is so because development of relationships among members takes time to permit people to know one another and to develop a common understanding of shared goals and values; where members' turnover is high, group cohesiveness is low because a new member takes more time to get himself attached to the group.

4. ***Inter and Intra-group Competition:*** Competition among groups (inter-group) and competition among members of the group (intra-group) have different effects on group cohesiveness. When two groups compete, the members of each group get united and the group gets solidified. The solidarity continues among members of the winning group whereas the losing group gets weakened. Success resulting from intergroup competition increases cohesion further. The members of the losing group, if they have no hope of revival of prestige of the group, gradually leave the group. A classical example of this phenomenon can be witnessed in 1977 when Congress (I) was defeated.

   The picture is different when competition is among the members within the group. If the rivalry is healthy, members stand to gain. But, generally, intra-group rivalry among members takes the form of jealousy that results in the weakening of group cohesiveness. There may be three possible causes of intra-group competition: (a) when members or sub-groups within the group adopt different methods to accomplish the same goal, (b) when there are differences regarding the goal or goals of the group among members, and (c) when goals of individual members clash with group goals.

5. ***Outside Pressure:*** When there is outside pressure or threat to group survival, the group members sink all their differences and join hands together to meet the challenges to the group. For example, when a threat comes from outside India, all citizens unite together to meet the outside challenge. Hence, outside pressure or threat is a cementing force and increases group cohesiveness.

6. ***Customs and Traditions:*** If members share the same customs and traditions, they become familiar with one another in no time, and also they are benefitted from one another's knowledge and experience. This commonness prevents the entry of any other person who does not follow the same traditions. This develops a feeling among members that they are distinct from others. This increases interpersonal relationships among members.

7. ***Location:*** People who work at the same geographical location tend to be close to one another and have numerous opportunities to interact and exchange ideas, resulting in cohesiveness of the group. But groups are not cohesive when their members do not work within the same geographical limits.

5.11 GROUP COHESIVENESS AND PRODUCTIVITY

Group cohesiveness and productivity do not seem to be related. Highly cohesive groups need not necessarily be highly productive or vice versa. Researches also could not establish any relationship, positive or negative, between these two variables. However, it has been usually observed that a cohesive group is more productive than a less cohesive group; the group's attitude favours the goals of the organisation. As the members of the group are loyal to the norms of the group, they follow the guidelines prepared by the group.

If the group supports the organisational goals, the members will tend to produce more. On the other hand, where cohesiveness is high but the group does not favour the organisational goals, productivity of the members' declines. Where the group norms are not supportive of performance, cohesive groups are less productive. When resistance to organisational changes is greater and where proper leadership is not provided, such groups can affect productivity severely. If management wishes to maximise productivity, it must build cohesiveness; which does not directly influence productivity but only indirectly depending upon the alignment of group goals with the organisational goals.

5.12 ADVANTAGES OF GROUP DYNAMICS

Working in teams is a common part of the business environment and may be an approach companies take to certain tasks, responsibilities or special projects. While it can be challenging for different personality types to work together on a common goal, it has its advantages, both for the company and the people involved. The advantages of group work are more than just business-oriented; there are generally personal benefits for staff as well.

Shared Ideas: One of the main benefits of group work or a team environment is the ability to share ideas among the group. Perhaps there are several possible approaches to a project, and as an individual, a staffer may be unsure of which to take. However, as a team, the members can each contribute pros and cons of approaches to tasks and methods to accomplish key goals. This kind of collaboration benefits both, the project and gives team members an outlet to bounce around ideas.

Increased Efficiency: Another key advantage of group work in the office is that things get done faster. When a group attacks a project or task, it can be done more quickly and with greater efficiency than if just one person attempts to muddle through it. A group approach can lead to effective cost savings for the company, since groups accomplish more, as well as an ability to meet individual and team goals more quickly, since more people are attacking the task.

Accountability for Weak Areas: Working as a team not only helps to showcase people's various strengths, but can also allow for compensation of weaker areas as well. Staffers can distribute the workload so that people are playing to their strengths with their work and team up to tackle areas where they are weaker to allow improvement. This creates a stronger and more skilled workforce, as people use the teamwork opportunity to improve themselves and their performance across the board.

Improved Office Relationships: When people work together as a team, they not only become more invested in the project, they become more invested in one another as well. Team members support one another, even outside of the team structure, and adapt to each other's working styles. The team relationship may result in teamwork approaches even outside the official teamwork structure, resulting in employees lending a hand on other's assignments and sharing ideas or brainstorms to propel one another along to reach personal and professional goals.

5.13 PRINCIPLES OF GROUP DYNAMICS

The members of the group must have a strong sense of belonging to the group. Changes in one part of the group may produce stress in other person, which can be reduced only by eliminating or allowing the change by bringing about readjustment in the related parts. The group arises and functions owing to common motives.

Groups survive by placing the members into functional hierarchy and facilitating the action towards the goals. The intergroup relations, group organisation and member participation is essential for effectiveness of a group. Information relating to needs for change in plans for change and consequences of changes must be shared by members of a group.

5.14 GROUP CONFLICTS

Conflict occurs in the workplace on a regular basis. Disagreements arise between colleagues. Rifts come between a manager and his employee. There are many reasons situations such as these are caused among groups within an organisation. If the cause of conflict can be identified, a small business owner is better able to manage and resolve the situation in an expedient manner. Although conflicts are inevitable, decision makers should strive to reduce the likelihood of conflict occurrence. They must mitigate the negative impact of group conflicts and try to increase the positive impact of those conflicts.

Common causes of conflict among groups are:

- ***Change Conflict:*** It is not uncommon for conflict among groups within a company to arise as a result of a major change in the structure or operations of an organisation. For example, a once small business may be acquired by a larger enterprise. The shift in management may require the reporting structure to be altered. Alternatively, if a downturn in revenue forces an owner to lay off personnel, roles and job responsibilities of certain employees may have to be redefined. In each of these instances, stress is brought upon the employee population. The stress caused by veering from the status quo will often lead to unrest and conflict within the company.
- ***Interpersonal Conflict:*** The average person spends more time at work than anywhere else. As a result, she undoubtedly develops a relationship with her colleagues. This intimacy, however, can lead to conflict. Miscommunication caused by language or personality barriers may lead to ill will among groups of employees. In addition, office politics, gossip and the persistence other forms of non-work related interaction may lead to serious altercations. An accusation of harassment or discrimination has serious legal implications, and moreover, exposes the business to financial risk. As such, it is important for a business owner to recognise interpersonal conflict as quickly as possible, so it may be resolved in an amicable fashion.

- ***External Conflict:*** Sources outside of an organisation can be the cause of conflict between its employees. To successfully carryout the business of a firm, staff members must consistently work with external entities. Third-party vendors must be engaged to purchase needed goods or services. In addition, customers and client interaction is required to generate revenue. It is not uncommon for a breakdown in communication to occur as transactions are being made. If cooler heads do not prevail when these instances happen, a misunderstanding can escalate, becoming a major conflict. A business owner must expediently identify and rectify these ordeals, as the financial implications of a soured relationship with vendors and customers can be great.

5.15 STAGES OF GROUP DEVELOPMENT

Group Development is a dynamic process. How do groups evolve? There is a process of five stages through which groups pass through. The process includes the five stages: forming, storming, forming, performing and adjourning.

- ***Forming:*** The first stage in the life of a group is concerned with forming a group. This stage is characterised by members seeking either a work assignment (in a formal group) or other benefit, like status, affiliation, power, etc. (in an informal group). Members at this stage either engage in busy type of activity or show apathy.
- ***Storming:*** The next stage in this group is marked by the formation of dyads and triads. Members seek out familiar or similar individuals and begin a deeper sharing of self. Continued attention to the subgroup creates a differentiation in the group and tensions across the dyads/triads may appear. Pairing is a common phenomenon. There will be conflict about controlling the group.
- ***Norming:*** The third stage of group development is marked by a more serious concern about task performance. The dyads/triads begin to open up and seek out other members in the group. Efforts are made to establish various norms for task performance. Members begin to take greater responsibility for their own group and relationship while the authority figure becomes relaxed. Once this stage is complete, a clear picture will emerge about hierarchy of leadership. The norming stage is over with the solidification of the group structure and a sense of group identity and camaraderie.
- ***Performing:*** This is a stage of a fully functional group where members see themselves as a group and get involved in the task. Each person makes a contribution and the authority figure is also seen as a part of the group. Group norms are followed and collective pressure is exerted to ensure the Process of Group effectiveness of the group. The group may redefine its goals development in the light of information from the outside environment and show an autonomous will to pursue those goals. The long-term viability of the group is established and nurtured.
- ***Adjourning:*** In the case of temporary groups, like project team, task force, or any other such group, which have a limited task at hand, also have a fifth stage. This is known as adjourning. The group decides to disband. Some members may feel happy over the performance, and some may be unhappy over the stoppage of meeting with group members. Adjourning may also be referred to as mourning, i.e., mourning the adjournment of the group.

Check Your Progress

Fill in the blanks:

1. Group dynamics deals with the attitudes and behavioural patterns of a ________.
2. ________ group is a group created by the organisation to accomplish a variety of organisational purposes with an indeterminate time horizon.
3. A ___________ is a group of workers (personnel) that performs as a unit, often with little or no supervision, to carry out organisational functions.
4. _________ is a situation in which all members of the group work together for a common goal, or where everyone is ready to take responsibility for group chores.
5. Life of the _________ groups may be permanent or temporary depending upon the specific objectives to be fulfilled.
6. __________ groups are created voluntarily and spontaneously due to the socio-psychological forces operating in the workplace.

5.16 LET US SUM UP

- This lesson is on basic concepts and ideas of group dynamics and behaviours. The social process by which people interact face to face in small group is called group dynamics. It presented the importance of group dynamic concepts to organisation behaviour.
- A correct understanding of group dynamics enhances the possibility of desirable consequences, because, the knowledge of group dynamics suggests the necessary adjustments in human behaviour.
- The idea of group cohesiveness and its influence on productivity was elaborated upon. To maximise productivity, management must build group cohesiveness which indirectly affects productivity depending upon the alignment of group goals with the organisational goals.
- Groups may be either formal or informal. Groups go through developmental stages much like individuals do. The forming-storming-norming-performing-adjourning model is useful in prescribing stages that groups should pay attention to as they develop.
- Groups that are similar, stable, small, supportive and satisfied tend to be more cohesive than groups that are not. Cohesion can help support group performance if the group values task completion. Too much cohesion can also be a concern for groups.

5.17 LESSON END ACTIVITY

Think about the most cohesive group you have ever been in. How did it compare in terms of similarity, stability, size, support and satisfaction?

5.18 KEYWORDS

Functional Group: It is a group created by the organisation to accomplish a variety of organisational purposes with an indeterminate time horizon.

Task Group: It is a group created by an organisation to accomplish a specific purpose or specific range of purposes within a stated time horizon.

Team: A team is a group of workers (personnel) that performs as a unit, often with little or no supervision, to carry out organisational functions.

Group Cohesiveness: Group cohesiveness is a situation in which all members of the group work together for a common goal, or where everyone is ready to take responsibility for group chores.

5.19 QUESTIONS FOR DISCUSSION

1. What is group dynamics? Why is it important for understanding organisational behaviour?
2. What is group cohesiveness?
3. What are the factors influencing the cohesiveness of a group?
4. How does cohesiveness of group influence productivity?
5. As a manager, how will you create an effective team for attaining the goals of your organisation?
6. Discuss five propositions about groups.
7. What are the characteristics of group?
8. Highlight the advantages of group dynamics.
9. Explain principles of group dynamics.
10. Describe common causes of conflict among groups.

Check Your Progress: Answers

1. Group
2. Functional
3. Team
4. Group cohesiveness
5. Formal
6. Informal

5.20 REFERENCE / SUGGESTED READINGS

Brown, R. (2020). *Group processes: Dynamics within and between groups* (3rd ed.). Blackwell Publishing.

Forsyth, D. R. (2021). *Group dynamics* (7th ed.). Cengage Learning.

Gupta, C. B. (2019). *Understanding group behavior and dynamics in organizational settings*. Journal of Organizational Studies, 13(2), 67-84.

Jones, G. R., & George, J. M. (2022). *Group cohesiveness and its impact on team performance*. Journal of Group and Organizational Management, 18(1), 45-59.

Luthans, F., & Doh, J. P. (2019). *Organizational behavior: An evidence-based approach* (14th ed.). McGraw-Hill Education.

Robbins, S. P., & Judge, T. A. (2020). *Essentials of organizational behavior* (14th ed.). Pearson Education.

Smith, P. B., & Bond, M. H. (2018). *Social psychology across cultures: Understanding group dynamics and behavior*. Psychology Press.

UNIT 6

LEADERSHIP – ITS APPROACHES AND STYLES

CONTENTS

Contd...

6.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Understand the meaning, principles, functions, nature and importance of leadership
- Discuss various leadership styles
- Explain the four major factors in leadership
- Understand various approaches to leadership
- Discuss the qualities of a good leader

6.1 INTRODUCTION

Leadership is a key process in any organisation. We attribute the success or failure of any organisation to its leadership. When a business venture or a cricket team is successful, its managing director or the captain often receives the credit. When failure occurs, it is usually the same individual at the top that is replaced. Thus, one of the key elements of concern in any organisation is how to attract, train, and keep people who will be effective leaders.

6.2 MEANING AND DEFINITION OF LEADERSHIP

Leadership can be defined as a process by which a person influences others to accomplish an objective and directs the organisation in a way that makes it more cohesive and coherent.

Leaders carry out this process by applying their leadership attributes, such as beliefs, values, ethics, character, knowledge and skills. Good leaders are made not born. Good leaders develop through a never ending process of self-study, education, training and experience.

Good leaders are made not born. If you have the desire and willpower, you can become an effective leader. Good leaders develop through a never ending process of self-study, education, training and experience. This guide will help you through that process.

To inspire your workers into higher levels of teamwork, there are certain things you must be, know and do. These do not come naturally, but are acquired through continual work and study.

"Leadership is a relationship between those who aspire to lead and those who choose to follow".

– (Kouzes & Posner, 2002)

"Leadership is the behavior of an individual... directing the activities of a group toward a shared goal".

– (Hemphill & Coons, 1957)

"Leadership is the influential increment over and above mechanical compliance with the routine directives of the organization".

– (D. Katz & Kahn, 1978)

"Leadership is the process of influencing the activities of an organized group toward goal achievement".

– (Rauch & Behling, 1984)

"Leadership is about articulating visions, embodying values, and creating the environment within which things can be accomplished".

– (Richards & Engle, 1986)

"Leadership is the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organization..."

– (House et al., 1999)

"Leadership is the ability of developing and communicating a vision to a group of people that will make that vision true".

– (Valenzuela, 2007)

Leadership is a process by which an executive can direct, guide and influence the behaviour and work of others towards accomplishment of specific goals in a given situation. Leadership is the ability of a manager to induce the subordinates to work with confidence and zeal.

Leadership is the potential to influence behaviour of others. It is also defined as the capacity to influence a group towards the realisation of a goal. Leaders are required to develop future visions, and to motivate the organisational members to want to achieve the visions.

6.3 PRINCIPLES OF LEADERSHIP

The eleven principles of leadership are as follows:

1. ***Know yourself and seek self-improvement:*** In order to know yourself, you have to understand your be, know and do attributes. Seeking self-improvement means continually strengthening your attributes. This can be accomplished through self-study, formal classes, reflection and interacting with others.

2. ***Be technically proficient:*** As a leader, you must know your job and have a solid familiarity with your employees' tasks.

3. ***Seek responsibility and take responsibility for your actions:*** Search for ways to guide your organisation to new heights. And when things go wrong, they always do sooner or later – do not blame others. Analyse the situation, take corrective action, and move on to the next challenge.

4. ***Make sound and timely decisions:*** Use good problem solving, decision making, and planning tools.

5. ***Set the example:*** Be a good role model for your employees. They must not only hear what they are expected to do, but also see. We must become the change we want to see.

   – *Mahatma Gandhi*

6. ***Know your people and look out for their well-being:*** Know about human nature and the importance of sincerely caring for your workers.
7. ***Keep your workers informed:*** Know how to communicate not only with them, but also with seniors and other key people.
8. ***Develop a sense of responsibility in your workers:*** Help to develop good character traits that will help them carry out their professional responsibilities.
9. ***Ensure that tasks are understood, supervised, and accomplished:*** Communication is the key to this responsibility.
10. ***Train as a team:*** Although many so called leaders call their organisation, department, section, etc. a team; they are not really teams...they are just a group of people doing their jobs.
11. ***Use the full capabilities of your organisation:*** By developing a team spirit, you will be able to employ your organisation, department, section, etc. to its fullest capabilities.

6.4 NATURE OF LEADERSHIP

An analysis of the definitions cited above reveals the following important – characteristics of leadership:

1. Leadership is a personal quality.
2. It exists only with followers. If there are no followers, there is no leadership.
3. It is the willingness of people to follow that makes person a leader.
4. Leadership is a process of influence. A leader must be able to influence the behaviour, attitude and beliefs of his subordinates.
5. It exists only for the realisation of common goals.
6. It involves readiness to accept complete responsibility in all situations.
7. Leadership is the function of stimulating the followers to strive willingly to attain organisational objectives.
8. Leadership styles do change under different circumstances.
9. Leadership is neither bossism nor synonymous with management.

6.5 FACTORS OF LEADERSHIP

There are four major factors in leadership:

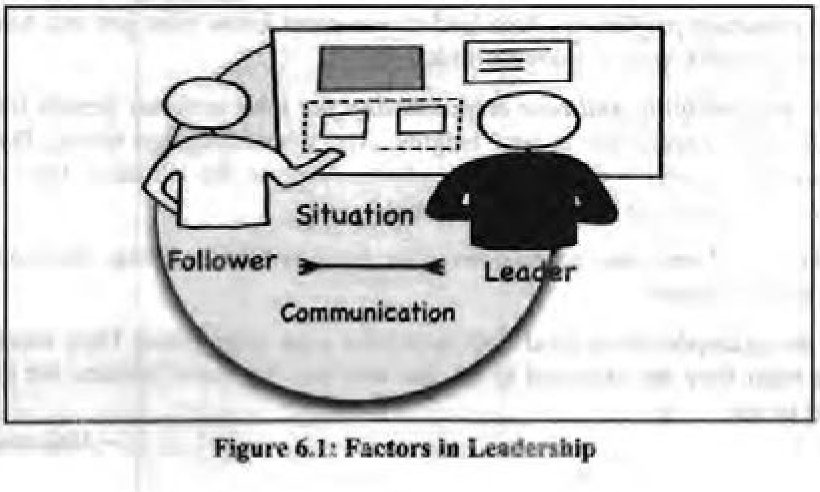


Figure 6.1: Factors in Leadership

6.5.1 Follower

Different people require different styles of leadership. For example, a new hire requires more supervision than an experienced employee. A person who lacks motivation requires a different approach than one with a high degree of motivation. The fundamental starting point is having a good understanding of human nature, such as needs, emotions and motivation.

6.5.2 Leader

One must have an honest understanding of one's own competencies. It should be understood that it is the followers, not the leader who determines if a leader is successful. If followers do not trust or lack confidence in their leader, then they will be uninspired. To be successful the followers need to be convinced that the leader is worthy of being followed.

6.5.3 Communication

Leaders lead through two-way communication. Much of it is non-verbal. For instance, when they "set the example", that communicates to the followers. What and how it is communicated either builds or harms the relationship between leader and his followers.

6.5.4 Situation

All are different. What is done in one situation will not always work in another. Leader must use his judgment to decide the best course of action and the leadership style needed for each situation. For example, leader may need to confront an employee for inappropriate behaviour, but if the confrontation is too late or too early, too harsh or too weak, then the results may prove ineffective.

Various forces will affect these factors. Examples of forces are the relationship with seniors, the skills of the people, the informal leaders within your organisation, and how the company is organised.

6.6 FUNCTIONS OF LEADERS

Leaders perform a variety of functions while trying to realise the organisational goals. These may be briefly stated thus:

- ***Leader Develops Teamwork:*** The three vital determinants of team work are the leader, subordinates and the environment. These factors are interdependent. It is the leader's responsibility to make the environment conducive to work. He studies the employees individually and instills interest in them. By encouraging the inquisitive employees and by prohibiting insidious elements, he creates a healthy environment. He inculcates the sense of collectivism in employees to work as a team. The resultant output will, then, be efficiency.
- ***Leader is a Representative of Subordinates:*** He is an intermediary between the work groups and top management. Leaders are called 'linking pins' by *Rensis Likert*. As linking pins, they serve to integrate the entire organisation and the effectiveness depends on the strength of these linking pins. Leaders show personal concern for the employees. As representatives, they carry the voice of the subordinates to the top management.
- ***Leader is an Appropriate Counsellor:*** Often, employees suffer from emotional problems. Inability to secure promotion, wage increase for showing good performance, obtain transfer to a good location: the reason could be any of these and many more. Such barriers keep the employees off the work track. Leaders

perform a vital function here. They listen to the employees, try to remove the obstacles, offer wise counsel and keep the employees mentally happy.

- ***Leader Uses Power Properly:*** If a leader is to effectively achieve the goals expected of him, he must have power and authority to act in a way that will stimulate a positive response from the workers. No leader is effective unless the subordinates obey his orders. Therefore, the leader uses appropriate power so that the subordinates willingly obey the orders and come forward with commitment.
- ***Leader Uses Time Well:*** Time is precious but often overlooked in management. A leader uses his time productively by following time-preparation-charts, scheduling techniques, etc. Information, facts and statistical inputs are combined effectively so as to produce timely decisions.
- ***Leader Strives for Effectiveness:*** Leaders take certain conscious decisions in order to achieve goals effectively. In addition to the above functions, they carry out additional activities to reach the targets in time. They delegate work, invite participation from subordinates, offer proper rewards for good performance, mix up with subordinates and enforce discipline and control whenever necessary.

6.7 IMPORTANCE OF LEADERSHIP

The importance of leadership in an organisation cannot be denied. People working in an organisation need individuals (leaders) who could be instrumental in guiding the efforts of groups of workers to achieve goals and objectives of both the individuals and the organisation. The leader guides the action of others in accomplishing these tasks. A good leader motivates his subordinates, creates confidence and increases the morale of the workers. In the words of Peter F Drucker — "Good leadership is a must for the success of a business but the business leaders are the scarcest resources of any enterprise". Leadership helps an organisation in the following ways:

1. ***Inspires Employees:*** A leader creates a strong urge in employees for higher performance. He lifts a man's vision to higher sights. By showing the proper way to do a job, a leader helps employees to give their best to the organisation. As pointed out by *Terry,* leadership triggers a person's will-to-do and transforms lukewarm desires for achievement into burning passions for successful accomplishment'.
2. ***Secures Cooperation:*** A dynamic leader breathes life into the group. He influences the behaviour of employees in such a way that they readily work for organisational objectives. He makes them realise that by translating plans into action, they can earn adequate rewards. He, thus, inculcates a sense of collectivism in the employees and forces them to work as a team. Leadership is essential to group action. Without sound leadership, cooperative action is impossible. Leadership provides character to the group and paves the way for integrated efforts at various levels.
3. ***Creates Confidence:*** Employees often suffer from emotional problems in organisations. They get frustrated because of their inability to do certain jobs, to secure promotions, to sharpen their skills, to get along with people, etc. A leader comes in here, renders wise counsel and tries to remove barriers (real or imaginary) and instills confidence in employees. He creates a wholesome attitude among employees for successful work accomplishment. He transforms potential into reality. He makes them realise their potential by showing the right way, clearing the paths and removing the hurdles.
4. ***Provides Good Working Climate:*** A leader provides a healthy work climate where individuals can work towards objectives happily. He initiates necessary

changes and unifies efforts of employees. By making a judicious use of time and money, he takes up assignments on a priority basis. Important problems are tackled first through prompt actions. Subordinates are allowed to do things independently. Their problems are looked into and suggestions are taken note of. He provides imagination, foresight, enthusiasm and initiative to employees and forces them to have an identity of interest, outlook and action.

6.8 APPROACHES TO LEADERSHIP

Different leaders have different approaches to leadership. The most important of them are discussed as under:

1. ***The manager makes decision and announces it:*** It is an extreme form of autocratic leadership whereby decisions are made by the boss who identifies the problem, considers alternative solutions, selects one of them and then reports his decision to his subordinates for implementation.

2. ***The manager sells his decisions:*** It is a slightly improved form of leadership wherein the manager takes the additional step of persuading the subordinates to accept his decision.

3. ***The manager presents his ideas and invites questions:*** There is greater involvement of the employees in this pattern. The boss arrives at the decision, but provides a full opportunity to his subordinates to get fuller explanation of his thinking and intentions.

4. ***The manager presents a tentative decision subject to change:*** Herein the decision is tentatively taken by the manager but he is amenable to change and influence from the employees.

5. ***The manager may present the problem, get the suggestions and then take his own decision:*** Here manager gives sufficient opportunity to the employees to make suggestions that are carefully considered by the manager.

6. ***The manager may define the limits and request the group to make a decision:*** Under this style of management, the manager delegates to the group the right to make the decision. His subordinates are able to take a decision within well-defined criteria and limits.

7. ***The manager may permit full involvement of the subordinates in the decision-making process:*** This is a style of leadership often referred to as 'Democratic' leadership.

6.9 TYPES OF LEADERSHIP STYLES

The different types of leadership styles are:

1. Autocratic or Task Management Leadership.
2. Participative or Democratic Leadership.
3. Laissez-faire or Free-rein Leadership.
4. Paternalistic Leadership.

6.9.1 Autocratic or Task Management Leadership

The autocratic leader gives orders which he insists shall be obeyed. He determines policies for the group without consulting them, and does not give detailed information about future plans, but simply tells the group what immediate steps they must take. In other words, an autocratic leader is one who centralizes the authority in himself and does not delegate authority to his subordinates. He is dictatorial by nature, and has no regard for his subordinates. He drives himself and his subordinates with one thought uppermost in his mind – action must produce results. An autocratic leader controls the entire planning process, and calls upon his subordinates to execute what he has planned. An autocratic leader operates on the following assumptions:

(a) An average human being has inherent dislike for work and will avoid it, if he can.

(b) If his subordinates were intelligent enough, they would not be in subordinate positions.

(c) He assumes that unintelligent subordinates are immature, unreliable and irresponsible persons. Therefore, they should be constantly watched in the course of their work.

(d) As he has no regards for his subordinates, he gets the work done by his subordinates through negative motivation, that is, through threats of penalty and punishment.

Thus, under this style, all decision-making power is centralised in the leader. The autocratic leader stresses his prerogative to decide and order, and denies subordinates the freedom to influence his behaviour.

Types of Autocratic Leadership

(a) *Strictly Autocratic Leaders:* A strictly autocratic leader relies on negative influence and gives orders which the subordinates must accept. He may also use his power to dispense rewards to his group.

(b) *Benevolent Autocrat:* The benevolently autocratic leader is effective in getting high productivity in many situations and he can develop effective human relationships. His motivational style is usually positive.

(c) *Manipulative Autocrat:* A manipulative autocratic leader is one who makes subordinates feel that they are participating in decision making process even though he has already taken the decision.

6.9.2 Participative or Democratic Leadership

A democratic leader is one who consults and invites his subordinates to participate in the decision making process. He gives orders only after consulting the group, sees to it that policies are worked out in group decisions and with the acceptance of group. The manager largely avoids the use of power to get a job done. He behaves that a desired organisational behaviour can be obtained if employees' needs and wants are satisfied. Therefore, he not only issues orders but interprets them and sees to it that the employees have the necessary skills and tools to carry out their assignments. He assigns a fair work load to his personnel and accords due recognition to jobs that are well done. There is a team approach to the attainment of organisational goals. He recognises the human value of showing greater concern for his subordinates.

A participative leader operates on the following assumptions:

(a) Subordinates are capable of doing work independently and assuming the responsibility for proper execution if they are given opportunities and incentives.

(b) Subordinates are supervised, guided and aided rather than threatened and commanded to work.

(c) Mistakes are not viewed seriously. The assumption is that disciplinary action breeds discontent and frustration among employees and creates an unhealthy work environment.

6.9.3 Laissez-faire or Free-rein Leadership

A laissez-faire or free-rein leader does not lead, but leaves the group entirely to itself. The leader avoids using power and entrusts the decision-making authority to his subordinates. He does not direct his subordinates, thereby giving them complete freedom of operation. Groups of members work independently and provide their own motivation. The manager exists as a facilitator and buffer as contact man between the team and outsiders, while bringing for his group the information and resources it needs to accomplish its job.

A laissez-faire or free-rein leader operates in the following manner:

(a) He follows the rule of minimum exposure to accountability.

(b) He relieves himself of responsibilities and is ready to blame his subordinates if something goes wrong.

(c) He has no clear idea of the goals to be attained.

(d) He is more security conscious than status conscious.

This mode of direction can produce good and quick results, if the subordinates are highly educated and brilliant people who have a sincere need to go ahead and discharge their responsibility.

6.9.4 Paternalistic Leadership

Under this type of leadership, the leader assumes that his function is fatherly. His attitude is that of treating the relationship between the leader and his groups as that of family, with the leader as the head of the family. The leader works to help, guide, protect and keep his followers happily working together as members of a family. He provides them with good working conditions, fringe benefits and employee services. It is said that employees under such leadership will work harder, out of sheer gratitude as well as emotional bondage.

6.10 LEADERSHIP SKILL

The leader is expected to play many roles and therefore, must be qualified to guide others to organisational achievement. Although no set of absolute traits or skills may be identified, the individuals who possess abilities to lead others must have certain attributes to help them in performing their leadership rolls. In a broad way the skills which are necessary for an industrial leader may be summarised under four heads:-

(a) Human skill

(b) Conceptual skill

(c) Technical skill and

(d) Personal skill.

6.10.1 Human Skill

A good leader is considerate towards his followers because his success largely depends on the co-operation of his followers. He approaches various problems in terms of people involved more than in terms of technical aspects involved. A leader should have an understanding of human behaviour. He should know people; know their needs, sentiments, emotions, as also their actions and reactions to particular decisions, their motivations, etc. Thus, a successful leader possesses the human relations attitude. He always tries to develop social understanding with other people.

The human skill involves the following:

(a) ***Empathy:*** A leader should be able to look at things objectively. He should respect the rights, belief and sentiments of others. He should equip himself to meet the challenges emanating from the actions and reactions of other people. The leader should be empathetic towards his followers so that he can carefully judge their strengths, weakness, and ambitions and give them the attention they deserve.

(b) ***Objectivity:*** A good leader is fair and objective in dealing with subordinates. He must be free from bias and prejudice while becoming emotionally involved with the followers. His approach to any issue or problem should be objective and not based on any pressure, prejudice or preconceived notions. Objectivity is a vital aspect of analytical decision making. Honesty, fairplay, justice and integrity of character are expected from any good leader.

(c) ***Communication Skill:*** A leader should have the ability to persuade, to inform, stimulate, direct and convince his subordinates. To achieve this, a leader should have good communication skill. Good communications seem to find all responsibilities easier to perform because they relate to others more easily and can better utilise the available resources.

(d) ***Teaching Skill:*** A leader should have the ability to demonstrate how to accomplish a particular task.

(e) ***Social Skill:*** A leader should understand his followers. He should be helpful, sympathetic and friendly. He should have the ability to win his followers confidence and loyalty.

6.10.2 Conceptual Skill

In the words of Chester Barnard—"the essential aspect of the executive process is the sensing of the organisation as a whole and the total situation relevant to it". Conceptual skills include:

(a) The understanding of the organisation behaviour,

(b) Understanding the competitors of the firm, and

(c) Knowing the financial status of the firm.

A leader should have the ability to look at the enterprise as a whole, to recognise that the various functions of an organisation depend upon one another and are interrelated, that changes in one affect all others. The leader should have skill to run the firm in such a way that overall performance of the firm in the long run will be sound.

6.10.3 Technical Skill

A leader should have a thorough knowledge of and competence in, the principles, procedures and operations of a job. Technical skill involves specialised knowledge, analytical skill and a facility in the use of the tools and techniques of a specific discipline. Technical competence is an essential quality of leadership.

6.10.4 Personal Skill

The most important task of the leader is to get the best from others. This is possible only if he possesses certain qualities. These personal skills include-

(a) ***Intelligence:*** Intellectual capacity is an essential quality of leadership. Leaders generally have somewhat higher level of intelligence than the average of their followers.

(b) ***Emotional Maturity:*** A leader should act with self-coincidence, avoid anger, take decisions on a rational basis and think clearly and maturely. A leader should also have high frustration tolerance. According to Koontz and O'Donnell - "Leaders cannot afford to become panicky, unsure of themselves in the face of conflicting forces, doubtful of their principles when challenged, or amenable to influence".

(c) ***Personal Motivation:*** This involves the creation of enthusiasm within the leader himself to get a job done. It is only through enthusiasm that one can achieve what one wants. Leaders have relatively intense achievement type motivational drive. He should work hard more for the satisfaction of inner drives than for extrinsic material rewards.

(d) ***Integrity:*** In the words of F.W Taylor — "integrity is the straight forward honesty of purpose which makes a man truthful, not only to others but to himself; which makes a man high-minded, and gives him high aspirations and high ideals".

(e) ***Flexibility of Mind:*** A leader must be prepared to accommodate other's viewpoints and modify his decisions, if need be. A leader should have a flexible mind, so that he may change in obedience to the change in circumstances. Thomas Carle has said — "A foolish consistency is the hobgoblin of a little mind".

In sum, a leader must have a dynamic personality, intellectual attainment, amiable disposition, unassuming temperament and knowledge of how to deal with his followers.

6.11 DIFFERENCE BETWEEN LEADERSHIP AND MANAGEMENT

Leadership and management are the terms that are often considered synonymous. It is essential to understand that leadership is an essential part of effective management. As a crucial component of management, remarkable leadership behaviour stresses upon building an environment in which each and every employee develops and excels. Leadership is defined as the potential to influence and drive the group efforts towards the accomplishment of goals. This influence may originate from formal sources, such as that provided by acquisition of managerial position in an organisation.

A manager must have traits of a leader, i.e., he must possess leadership qualities. Leaders develop and begin strategies that build and sustain competitive advantage. Organisations require robust leadership and robust management for optimal organisational efficiency.

Leadership is different from management. The main differences between these two terms are:

1. A manager is required to plan, organise, direct and control. But a leader is one who gets others to follow him.
2. A manager depends on his authority. But a leader depends on his confidence and goodwill. He inspires enthusiasm.
3. Management is concerned with the formulation of broad policies to guide the operations of an enterprise. But leadership is concerned with the initiation of action for the accomplishment of the goals.
4. An individual is a leader in the true sense if he is accepted as a leader by the group. A manager is appointed and he derives his authority by virtue of his office.
5. Management is associated with the organised structure. But leadership may be associated with unorganised groups.

6.12 DIFFERENT THEORIES OF LEADERSHIP

Leadership is complex and multidimensional in character. What makes a leader effective is a question which cannot be answered easily. Many researches, particularly by behavioural scientists, were carried out to find out the answer to this question. Is the success of the leader due to his traits or his personality or his behaviour or his followers or the situation in which he works? The researches could not offer a satisfactory answer to this question. Instead, these researches have led to various approaches or theories on leadership, the prominent among them are:

6.12.1 Trait Theory or Approach

Trait theory of leadership is a classical theory and is based on the assumption that there are certain distinguishing characteristics, qualities or traits that make an individual a leader on the basis of which he can be distinguished from other persons (non-leaders). A leader is the sum total of the traits. Trait approach leadership studies were very common between 1930 and 1950. There were two methods for identifying traits. One way was to ask the successful leader himself to explain the distinguishing characteristics he possessed or how he considered himself different from his followers. The other was to analyse the past and the present of the leaders of eminence in terms of their family background, education, social life, career events, character, etc. and list the traits which the leaders possessed. In both cases the life of a leader becomes highly interesting only when he emerges as a leader. These researches were based on the hypothesis that persons having certain traits could become successful leaders.

Various research studies have identified various traits for successful leadership emphasizing various aspects of intelligence, attitudes, personality and biological factors. F.M. Viscount Shim has identified only six basic qualities of a leader. Ordway Tead, on the other hand, listed ten qualities of a good leader. Irwin H Paul has insisted only on three qualities. Henry Fayol has given five and Bernard six qualities. Thus, different theorists have identified a different number of traits which a good leader must possess. There are no universal traits which a leader should possess. A review of various studies has been presented by Stogdill who identifies the following traits.

i) Physical and constitutional factors (height, weight, physique, health, appearance)

ii) Intelligence

iii) Self-confidence

iv) Sociability

v) Will (initiative, persistence, and ambition)

vi) Dominance, and

vii) Surgency (talkative cheerfulness, gentility, enthusiasm, expressiveness, alertness, and originality).

Ivanovich and others have grouped the leadership traits, identified by various researchers, as follows:

- ***Physical Characteristics:*** Age, appearance, and height.
- ***Social Background:*** Education, social status, and mobility.
- ***Intelligence:*** Judgment, knowledge, decisiveness, and fluency of speech.
- ***Personality:*** Alertness, dominance, extroversion, independence, creativity, and self-confidence.

- *Task related Characteristics:* Achievement drive, initiative, persistence, enterprise, and task orientation.
- *Social Characteristics:* Attractiveness, popularity, sociability and interpersonal skills.

The various traits can be classified as innate and acquired traits. Earlier trait theories maintained that leadership qualities are innate i.e., they are inherited and are inborn. These traits are natural and God' gifts. On the basis of these traits, the concept of 'born leadership', or concept of 'Leaders are born and not made', became popular. But later theorists conceded that many of these traits could be acquired and developed through experience or training. So, traits are not only inborn or inherited but they can be acquired also.

Critical Analysis of Trait Theory

The trait theory is very simple. But this failed to produce a clear-cut result. The theory could not produce one personality trait or a set of traits that could be used to distinguish a leader from a non-leader. The theory does not consider the whole environment in which leadership develops. Traits may be only one factor. Moreover, there is a lack of generalisation about various traits, as there were great variations in the traits established by various researchers. Many agreed that the use of traits had not proved useful for selecting leaders. By analyzing over a hundred studies it was found that only 5 percent of the traits appeared in four or more studies. The theory fails to explain why some persons, who possessed some of the traits of a leader, could not become leaders or why some leaders failed as leaders. Trait theory is severely criticized on the following grounds:

i) *No exhaustive List of Traits:* Various thinkers have presented different lists of traits of successful leaders. Rarely, if ever, do two lists agree on the essential characteristics of a successful leader. Great variations can be observed in traits listed by several researchers. No exhaustive list of traits can be prepared. No thinker has listed the traits in order of preference or importance. So, lists of traits sometimes confuse the readers.

ii) *No Universal Traits:* None of the thinkers has presented any list of traits which is universally acceptable. It is, therefore, very difficult to indicate what mix of traits is necessary to make an effective leader. Its measurement is problematic.

iii) *No Consideration for Situational Factors:* Effective leadership is not a function of traits alone. Traitists did not consider situational factors which are important in making a person a leader of a group. Situational factors such as followers and other factors influence leaders to a great extent. Traits come to light only when a situation arises and they are helpful in facing a particular situation. But without a situation traits are useless.

Different Roles Require Different Traits

Different traits appear necessary for different roles even in the same organisation. At the lower managerial levels where there is direct contact between the workers and the supervisor, technical knowledge is of paramount importance. At the middle level managerial positions where policies are interpreted and elaborated, human relation skills are of more importance. At the top level, where policies are groomed, ideas are generated, strategic and long term planning is undertaken, conceptual skill gains a pre-eminent position. Organisations compete not by products but with people. So, uniformity of traits across all levels is questioned.

Again, leadership in a large organisation has a limited role to play because jobs are highly specialised whereas in small organisations, it demands multiplicity of roles because one person has to do many jobs at a time. So, different combinations of traits are required in different organisations or at different organisational levels.

(i) ***No Room for Developing Future Leaders:*** The theory stresses that a leader possesses certain inborn qualities which cannot be developed or acquired later. However, it was later accepted that such basic traits can be developed or acquired through experience or training. If we accept the version that leaders are born and not made, then training programmes designed to develop traits may be questioned. Training may help improve a person if he possesses the basic traits. It, thus, leaves no scope for developing future leaders.

(ii) ***Separation of People:*** The theory requires an initial separation of people into 'leaders' and 'non-leaders' or 'good leaders' and 'not so good leaders.' But there seems to be no particular correlation between a man's ethics and morale, and his power to attract people.

(iii) ***Problem of Defining and Measuring Traits:*** It is very difficult to define traits. When asked, executives often come out with a bewildering variety of explanations, making a mockery of the trait theory. Moreover, a trait cannot be measured. The measurement tools to quantify traits are open to doubt. For example, some psychological attributes (such as intelligence, initiative, etc.) cannot be observed but can be inferred from behaviour. There are some tools to measure personality traits but no definite conclusions can be drawn.

Similarly, people have various traits in different degrees, but such degrees cannot be measured.

There are, to conclude, no personality traits that consistently distinguish a leader from his followers. Many other persons have the same traits as specified for a leader, but they are not good leaders. This approach, however, indicates that a leader should have certain personal characteristics. This helps management to develop such skills through training and development programmes.

6.12.2 Behavioural Approach or Theory

Traitists theory fails to explain the leadership phenomenon. The trait theory seeks to explain leadership on the basis of what leaders are and not what leaders do. The behaviourists, in contrast to treatises, attempt to explain effective leadership in terms of what leaders do. So, they emphasize that strong leadership is the result of effective role behaviour. Leadership is depicted by a person's acts more than through his traits. The basis of this approach lies in how the management viewed the workers.

Under the classical management approach man or worker was regarded not more than a commodity or an appendage to the machine management concerned, directed and motivated him through the offer of economic rewards. The management wants to reduce waste of time and materials, to increase efficiency and productivity. The thinking of management was that men, by nature, are lax, uncreative and irresponsible and, therefore, the leader (manager) should be directive. The management was concerned only with high production and productivity; it considered people as machines having no feelings and not as an asset which should be developed in the interests of the organisation. Hawthorne Experiments, conducted by Eltan Mayo and his associate, exploded the myth of management thinking. They discovered informal groups and informal leaders and stressed interpersonal relationships as a significant influence on productivity. Therefore, scientific management advocates of ignoring human behaviour and expresses sole concern for output, whereas the human relations movement shows an overriding concern for people.

The approach gave birth to many leadership styles such as autocratic, democratic, supervisory which produced different and conflicting results because behaviour of leaders and followers differs in different situations.

The theory endeavored to explain the leadership phenomenon in terms of behaviour of the leader. There are four basic elements, leaders, followers, goal, and the environment which affect one another in determining suitable behaviour. Leadership acts may be viewed in two ways—functional (favourable) and dysfunctional (unfavourable). Dysfunctional acts are also important in leadership because they demotivate employees to work together. As such, a leader will not act in this way. Behaviour of a manager in a particular direction will make him a good leader while the opposite of this would discard him as a leader. The functional behaviour for a successful leader are setting goals, motivating employees, raising the level of morale, developing team work, effective communication, etc.

Analytical View: The basic difference between the trait approach and the behavioural approach is that the trait theory emphasizes some particular trait to be possessed by a leader whereas the behavioural approach emphasizes particular behaviour by him. It is true that favourable behaviour is more effective and gives more satisfaction to the followers, and the person can be recognised as a leader. However, this approach has several weaknesses.

(i) It also ignores situational factors and favours a particular behaviour for all times. A particular behaviour may be effective at one time but may be quite ineffective at other times. This means time factor becomes an important element. This implies that a particular behaviour may not be effective in different situations at different times. This factor has been ignored in this approach.

(ii) Behaviour cannot be measured scientifically: Various methodologies such as questionnaires, interviews or observations have their limitations and, therefore, not universally accepted by behaviourists. This is, however, an unavoidable limitation.

6.12.3 Situational Approach on Theory

The trait approach, in effect, explained certain desirable characteristics or traits which an effective leader must possess, but the theory fails to suggest that one who possesses the particular mix of traits shall or shall not be a leader. On the other hand, the behavioural approach attempted to explain various practices or styles available to a leader to discharge his leadership functions, but this again failed to indicate which style is the best that a leader should follow to be an effective leader in all circumstances. Both these theories ignored one important variable, i.e., situation which greatly influences the trait or behaviour. Various researches made during 1970's established that it was not the trait or behaviour of a leader that mattered but it was a particular situation in which a particular trait or behaviour (style) is effective or ineffective. A leader may prove effective in one situation but may be quite ineffective when the situation changes. One glaring example is that of Winston Churchill who was a very successful Prime Minister during the World War II. However, he proved quite ineffective afterwards when the situation changed. The theory, thus, advocates that it is a particular situation that helps to develop leadership and from which leaders emerge. Traits or behaviour may be supportive elements.

Ohio State University research has given four situational variables that affect behaviour:

(i) ***Cultural Environment:*** Culture is a man made systems of beliefs, faith and values. Many aspects of life have a significant influence on behaviour, and any understanding of employees' behaviour requires an understanding of culture in which he lives. Persons coming from different cultures shall behave differently. Thus, leadership should be directed to influence the behaviour of the followers in the context of their culture.

(ii) ***Differences between Individuals:*** Individuals differ in behaviour which is a combination of antecedent factors. There are a variety of factors that affect behaviour in different ways such as attitudes, personality characteristics, physical, sex, education, experience, etc. Within this framework, individuals are classified as leaders and followers. The individual characteristics affect the leadership process. Thus, some perceive a particular leadership style while others may perceive a different style.

(iii) ***Difference between Jobs:*** People perform different types of jobs in an organisation. Different job conditions influence leadership differently, because demands of jobs almost inevitably force a leader into certain kinds of activities. This limits the leadership options available to the individual.

(iv) ***Difference between Organisations:*** Organisations differ on the basis of size, age, ownership pattern, objectives, complexity, managerial pattern, cultural environment, etc. A different type of leadership is required in different types of organisations. For example, in government organisations leadership behaviour is quite different as compared to business organisations.

Thus, situational theory of leadership stresses how leadership differs with situational variables or why a person in a particular situation is successful or unsuccessful.

Limitations

The approach is not free from shortcomings. Main shortcomings are:

1. The theory over emphasizes the situational aspect of leadership. It completely ignores the traits or behaviour of a leader which also play an important role in the emergence of a particular leader. Situation may affect a leadership decision but it is not everything. Other variables should also be considered.
2. This theory emphasizes leadership ability of an individual in a given situation. Thus, it measures his present leadership potentialities but whether this leader will be fit in another situation is not answered by this theory.
3. The theory also puts a constraint over the leadership development process because it does not emphasize the process by which good leaders can be made in an organisation.

6.12.4 Blake and Mouton's Managerial Grid

The treatment of task orientation and people orientation as two independent dimensions was a major step in leadership studies. Many of the leadership studies conducted in the 1950's at the University of Michigan and the Ohio State University focused on these two dimensions.

Building on the work of the researchers at these Universities, Robert Blake and Jane Mouton (1960's) proposed a graphic portrayal of leadership styles through a managerial grid (sometimes called leadership grid). The grid depicted two dimensions of leader behaviour, concern for people (accommodating people's needs and giving them priority) on y-axis and concern for production (keeping tight schedules) on x-axis, with each dimension ranging from low (1) to high (9), thus creating 81 different positions in which the leader's style may fall. (See figure 6.2).

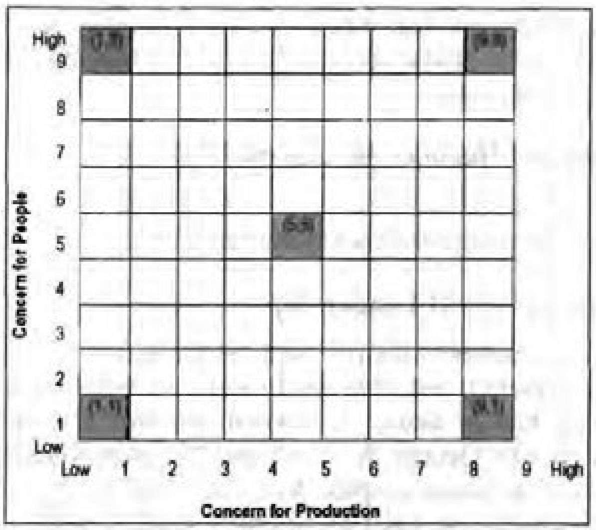


Figure 6.2: Blake and Mouton's Managerial Grid

The five resulting leadership styles are as follows:

- ***Impoverished Management (1, 1):*** Managers with this approach are low on both the dimensions and exercise minimum effort to get the work done from subordinates. The leader has low concern for employee satisfaction and work deadlines and as a result disharmony and disorganisation prevail within the organisation. The leaders are termed ineffective wherein their action is merely aimed at preserving job and seniority.
- ***Task Management (9, 1):*** Also called dictatorial or perish style. Here leaders are more concerned about production and have less concern for people. The style is based on theory X of McGregor. The employees' needs are not taken care of and they are simply a means to an end. The leader believes that efficiency can result only through proper organisation of work systems and through elimination of people wherever possible. Such a style can definitely increase the output of organisation in short run but due to the strict policies and procedures, high labour turnover is inevitable.
- ***Middle-of-the-road (5, 5):*** This is basically a compromising style wherein the leader tries to maintain a balance between goals of company and the needs of people. The leader does not push the boundaries of achievement resulting in average performance for organisation. Here neither employee nor production needs are fully met.
- ***Country Club (1, 9):*** This is a collegial style characterised by low task and high people orientation where the leader gives thoughtful attention to the needs of people thus providing them with a friendly and comfortable environment. The leader feels that such a treatment with employees will lead to self-motivation and will find people working hard on their own. However, a low focus on tasks can hamper production and lead to questionable results.
- ***Team Management (9, 9):*** Characterised by high people and task focus, the style is based on the theory Y of McGregor and has been termed as most effective style according to Blake and Mouton. The leader feels that empowerment, commitment, trust and respect are the key elements in creating a team atmosphere which will automatically result in high employee satisfaction and production.

Advantages of Blake and Mouton's Managerial Grid

The managerial or leadership grid is used to help managers analyse their own leadership styles through a technique known as grid training. This is done by administering a questionnaire that helps managers identify how they stand with respect to their concern for production and people. The training is aimed basically at helping leaders reach to the ideal state of 9, 9.

Limitations of Blake and Mouton's Managerial Grid

The model ignores the importance of internal and external limits, matter and scenario. Also, there are some more aspects of leadership that can be covered but are not.

6.12.5 Great Man Theory of Leadership

If we look at the great leaders of the past such as Alexander the Great, Julius Caesar, Napoleon, Queen Elizabeth I, and Abraham Lincoln, we will find that they do seem to differ from ordinary human beings in several aspects. The same applies to the contemporary leaders like George W. Bush and Mahatma Gandhi. They definitely possess high levels of ambition coupled with clear visions of precisely where they want to go. These leaders are cited as naturally great leaders, born with a set of personal qualities that made them effective leaders. Even today, the belief that truly great leaders are born is common.

Top executives, sports personalities, and even politicians often seem to possess an aura that sets them apart from others. According to the contemporary theorists, leaders are not like other people. They do not need to be intellectually genius or omniscient prophets to succeed, but they definitely should have the right stuff which is not equally present in all people. This orientation expresses an approach to the study of leadership known as the great man theory.

Assumptions

- Leaders are born, not made and they posses certain traits which were inherited.
- Great leaders can arise when there is a great need.

Theory

Much of the work on this theory was done in the 19th century and is often linked to the work of the historian Thomas Carlyle who commented on the great men or heroes of the history saying that "the history of the world is but the biography of great men". According to him, a leader is the one gifted with unique qualities that capture the imagination of the masses.

Earlier leadership was considered as a quality associated mostly with the males, and therefore the theory was named as the great man theory. But later with the emergence of many great women leaders as well, the theory was recognised as the great person theory.

The great man theory of leadership states that some people are born with the necessary attributes that set them apart from others and that these traits are responsible for their assuming positions of power and authority. A leader is a hero who accomplishes goals against all odds for his followers. The theory implies that those in power deserve to be there because of their special endowment. Furthermore, the theory contends that these traits remain stable over time and across different groups. Thus, it suggests that all great leaders share these characteristic regardless of when and where they lived or the precise role in the history they fulfilled.

Criticism

Many of the traits cited as being important to be an effective leader are typical masculine traits. In contemporary research, there is a significant shift in such a mentality.

6.12.6 House's Path Goal Theory

The theory was developed by Robert House and has its roots in the expectancy theory of motivation. The theory is based on the premise that an employee's perception of expectancies between his effort and performance is greatly affected by a leader's behaviour. The leaders help group members in attaining rewards by clarifying the paths to goals and removing obstacles to performance. They do so by providing the information, support, and other resources which are required by employees to complete the task.

House's theory advocates servant leadership. As per servant leadership theory, leadership is not viewed as a position of power. Rather, leaders act as coaches and facilitators to their subordinates. According to House's path-goal theory, a leader's effectiveness depends on several employee and environmental contingent factors and certain leadership styles. All these are explained in the Figure 6.3 below:

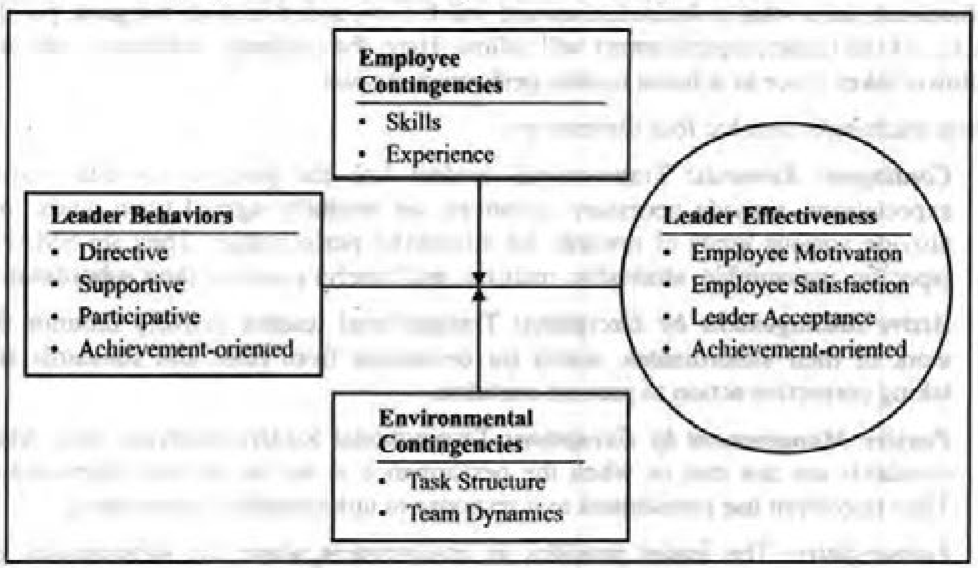


Figure 6.3: Path-Goal Leadership Theory

The theory states that each of these styles will be effective in some situations but not in others. It further states that the relationship between a leader's style and effectiveness is dependent on the following variables:

- ***Employee Characteristics:*** These include factors such as employees' needs, locus of control, experience, perceived ability, satisfaction, willingness to leave the organisation, and anxiety. For example, if followers are high inability, a directive style of leadership may be unnecessary; instead a supportive approach may be preferable.

- ***Characteristics of Work Environment:*** These include factors such as task structure and team dynamics that are outside the control of the employee. For example, for employees performing simple and routine tasks, a supportive style is much effective than a directive one. Similarly, the participative style works much better for non-routine tasks than routine ones.

When team cohesiveness is low, a supportive leadership style must be used whereas in a situation where performance-oriented team norms exist, a directive style or possibly an achievement-oriented style works better. Leaders should apply directive style to counteract team norms that oppose the team's formal objectives.

6.12.7 Transactional Leadership Theory

The transactional style of leadership was first described by Max Weber in 1947 and then by Bernard Bass in 1981. This style is most often used by the managers. It focuses on the basic management process of controlling, organising, and short-term planning. The famous examples of leaders who have used transactional technique include McCarthy and Charles de Gaulle.

Transactional leadership involves motivating and directing followers primarily through appealing to their own self-interest. The power of transactional leaders comes from their formal authority and responsibility in the organisation. The main goal of the follower is to obey the instructions of the leader. The style can also be mentioned as a 'telling style'.

The leader believes in motivating through a system of rewards and punishment. If a subordinate does what is desired, a reward will follow, and if he does not go as per the wishes of the leader, a punishment will follow. Here, the exchange between leader and follower takes place to achieve routine performance goals.

These exchanges involve four dimensions:

- ***Contingent Rewards:*** Transactional leaders link the goal to rewards, clarify expectations, provide necessary resources, set mutually agreed upon goals, and provide various kinds of rewards for successful performance. They set SMART (specific, measurable, attainable, realistic, and timely) goals for their subordinates.
- ***Active Management by Exception:*** Transactional leaders actively monitor the work of their subordinates, watch for deviations from rules and standards and taking corrective action to prevent mistakes.
- ***Passive Management by Exception:*** Transactional leaders intervene only when standards are not met or when the performance is not as per the expectations. They may even use punishment as a response to unacceptable performance.
- ***Laissez-faire:*** The leader provides an environment where the subordinates get many opportunities to make decisions. The leader himself abdicates responsibilities and avoids making decisions and therefore the group often lacks direction.

Assumptions of Transactional Theory

- Employees are motivated by reward and punishment.
- The subordinates have to obey the orders of the superior.
- The subordinates are not self-motivated. They have to be closely monitored and controlled to get the work done from them.

Implications of Transactional Theory

The transactional leaders overemphasize detailed and short-term goals, and standard rules and procedures. They do not make an effort to enhance followers' creativity and generation of new ideas. This kind of a leadership style may work well where the organisational problems are simple and clearly defined. Such leaders tend not to reward or ignore ideas that do not fit with existing plans and goals.

The transactional leaders are found to be quite effective in guiding efficiency decisions which are aimed at cutting costs and improving productivity. The transactional leaders tend to be highly directive and action oriented and their relationship with the followers tends to be transitory and not based on emotional bonds.

The theory assumes that subordinates can be motivated by simple rewards. The only 'transaction' between the leader and the followers is the money which the followers receive for their compliance and effort.

6.12.8 Likert's Management System

Rensis Likert and his associates studied the patterns and styles of managers for three decades at the University of Michigan, USA, and identified a four-fold model of management systems. The model was developed on the basis of a questionnaire administered to managers in over 200 organisations and research into the performance characteristics of different types of organisations. The four systems of management system or the four leadership styles identified by Likert are:

- *System 1:* Exploitative authoritative: Responsibility lies in the hands of the people at the upper echelons of the hierarchy. The superior has no trust and confidence in subordinates. The decisions are imposed on subordinates and they do not feel free at all to discuss things about the job with their superior. The teamwork or communication is very little and the motivation is based on threats.
- *System 2:* Benevolent authoritative: The responsibility lies at the managerial levels but not at the lower levels of the organisational hierarchy. The superior has condescending confidence and trust in subordinates (master-servant relationship). Here again, the subordinates do not feel free to discuss things about the job with their superior. The teamwork or communication is very little and motivation is based on a system of rewards.
- *System 3:* Consultative: Responsibility is spread widely through the organisational hierarchy. The superior has substantial but not complete confidence in subordinates. Some amount of discussion about job related things takes place between the superior and subordinates. There is a fair amount of teamwork and communication that takes place vertically and horizontally. The motivation is based on rewards and involvement in the job.
- *System 4:* Participative: Responsibility for achieving the organisational goals is widespread throughout the organisational hierarchy. There is a high level of confidence that the superior has in his subordinates. There is a high level of teamwork, communication and participation.

The nature of these four management systems has been described by Likert through a profile of organisational characteristics. In this profile, the four management systems have been compared with one another on the basis of certain organisational variables which are:

- Leadership processes
- Motivational forces
- Communication process
- Interaction-influence process
- Decision-making process
- Goal-setting or ordering
- Control processes

On the basis of this profile, Likert administered a questionnaire to several employees belonging to different organisations and from different managerial positions (both line and staff). His studies confirmed that the departments or units employing management practices within Systems 1 and 2 were the least productive, and the departments or units employing management practices within Systems 3 and 4 were the most productive.

Advantages

With the help of the profile developed by Likert, it became possible to quantify the results of the work done in the field of group dynamics. Likert theory also facilitated the measurement of the "soft" areas of management, such as trust and communication.

6.13 HERSEY BLANCHARD MODEL

According to this model, the leader has to match the leadership style according to the readiness of subordinates which moves in stage and has a cycle. Therefore, this theory is also known as the life-cycle theory of leadership.

The theory, developed by Paul Hersey and Kenneth Blanchard, is based on the 'readiness' level of the people the leader is attempting to influence. Readiness is the extent to which followers have the ability and willingness to accomplish a specific task. Ability is the knowledge, experience and skill that an individual possesses to do the job and is called job readiness. Willingness is the motivation and commitment required to accomplish a given task. The style of leadership depends on the level of readiness of the followers.

The readiness(R) is divided into a continuum of four levels which are:

- *R1 - low follower readiness* - refers to low ability and low willingness of followers i.e., those who are unable and insecure.
- *R2 - low to moderate follower readiness* - refers to low ability and high willingness of followers i.e., those who are unable but confident.
- *R3 - moderate to high follower readiness* - refers to high ability and low willingness of followers i.e., those who are able but insecure.
- *R4 - high follower readiness* - refers to high ability and high willingness of followers i.e., those who are both able and confident.

The direction is provided by the leader at the lower levels of readiness. Therefore, the decisions are leader directed. On the other hand, the direction is provided by the followers at the higher levels of readiness. Therefore, the decisions in this case are follower directed. When the followers move from low levels to high levels of readiness, the combinations of task and relationship behaviours appropriate to the situation begin to change.

For each of the four levels of readiness, the leadership style used may be a combination of task and relationship behaviour.

- ***Task Behaviour:*** Extent to which the leader spells out the duties and responsibilities of a follower which includes providing them direction, setting goals, and defining roles for them. Usually a one-way communication exists which is meant to provide the direction to the followers.
- ***Relationship Behaviour:*** Extent to which the leader listens to the followers, and provides encouragement to them. Here, a two-way communication exists between the leader and the follower.

By combining the task and the relationship behaviour, we arrive at the following four different styles of leadership which corresponds with the different levels of readiness.

- ***S1 - Telling:*** This style is most appropriate for low follower readiness (R1). It emphasizes high task behaviour and limited relationship behaviour.
- ***S2 - Selling:*** This style is most appropriate for low to moderate follower readiness (R2). It emphasizes high amounts of both task and relationship behaviour.

- ***S3 - Participating:*** This style is most appropriate for moderate to high follower readiness (R3). It emphasizes high amount of relationship behaviour but low amount of task behaviour.
- ***S4 - Delegating:*** This style is most appropriate for high follower readiness (R4). It emphasizes low levels of both task and relationship behaviour.

6.14 QUALITIES OF A LEADER

A leader has got multidimensional traits in him which makes him appealing and effective in behaviour. The following are the requisites to be present in a good leader:

- ***Physical Appearance:*** A leader must have a pleasing appearance. Physique and health are very important for a good leader.
- ***Vision and Foresight:*** A leader cannot maintain influence unless he exhibits that he is forward looking. He has to visualize situations and thereby has to frame logical programmes.
- ***Intelligence:*** A leader should be intelligent enough to examine problems and difficult situations. He should be analytical who weighs pros and cons and then summarizes the situation. Therefore, a positive bent of mind and mature outlook is very important.
- ***Communicative Skills:*** A leader must be able to communicate the policies and procedures clearly, precisely and effectively. This can be helpful in persuasion and stimulation.
- ***Objective:*** A leader has to be having a fair outlook which is free from bias and which does not reflects his willingness towards a particular individual. He should develop his own opinion and should base his judgement on facts and logic.
- ***Knowledge of Work:*** A leader should be very precisely knowing the nature of work of his subordinates because it is then he can win the trust and confidence of his subordinates.
- ***Sense of Responsibility:*** Responsibility and accountability towards an individual's work is very important to bring a sense of influence. A leader must have a sense of responsibility towards organisational goals because only then he can get maximum of capabilities exploited in a real sense. For this, he has to motivate himself and arouse and urge to give best of his abilities. Only then he can motivate the subordinates to the best.
- ***Self-confidence and Will-power:*** Confidence in himself is important to earn the confidence of the subordinates. He should be trustworthy and should handle the situations with full will power. (You can read more about Self-Confidence at: Self Confidence - Tips to be Confident and Eliminate Your Apprehensions).
- ***Humanist:*** This trait to be present in a leader is essential because he deals with human beings and is in personal contact with them. He has to handle the personal problems of his subordinates with great care and attention. Therefore, treating the human beings on humanitarian grounds is essential for building a congenial environment.
- ***Empathy:*** It is an old adage "Stepping into the shoes of others". This is very important because fair judgement and objectivity comes only then. A leader should understand the problems and complaints of employees and should also have a complete view of the needs and aspirations of the employees. This helps in improving human relations and personal contacts with the employees.

From the above qualities present in a leader, one can understand the scope of leadership and its importance for scope of business. A leader cannot have all traits at one time but even presence of few of them helps in achieving effective results.

6.15 LEADER VERSUS MANAGER

"Leadership and managership are two synonymous terms" is an incorrect statement. Leadership doesn't require any managerial position to act as a leader. On the other hand, a manager can be a true manager only if he has got the traits of leader in him. By virtue of his position, manager has to provide leadership to his group. A manager has to perform all five functions to achieve goals, i.e., Planning, Organising, Staffing, Directing, and Controlling. Leadership is a part of these functions. Leadership as a general term is not related to managership. A person can be a leader by virtue of qualities in him. For example: leader of a club, class, welfare association, social organisation, etc. Therefore, it is true to say that, "All managers are leaders, but all leaders are not managers".

A leader is one who influences the behaviour and work of others in group efforts towards achievement of specified goals in a given situation. On the other hand, manager can be a true manager only if he has got traits of a leader in him. Manager at all levels are expected to be the leaders of work groups so that subordinates willingly carry instructions and accept their guidance. A person can be a leader by virtue of all qualities in him.

Leaders and Managers can be compared on the following basis:

Basis	Manager	Leader
Origin	A person becomes a manager by virtue of his position.	A person becomes a leader on basis of his personal qualities.
Formal Rights	Manager has got formal rights in an organisation because of his status.	Rights are not available to a leader.
Followers	The subordinates are the followers of managers.	The group of employees whom the leader's leads are his followers.
Functions	A manager performs all five functions of management.	Leader influences people to work willingly for group objectives.
Necessity	A manager is very essential to a concern.	A leader is required to create cordial relation between person working in and for organisation.
Stability	It is more stable.	Leadership is temporary.
Mutual Relationship	All managers are leaders.	All leaders are not managers.
Accountability	Manager is accountable for self and subordinates behaviour and performance.	Leaders have no well-defined accountability.
Concern	A manager's concern is organisational goals.	A leader's concern is group goals and member's satisfaction.

Contd...

Followers	People follow manager by virtue of job description.	People follow them on voluntary basis.
Role continuation	A manager can continue in office till he performs his duties satisfactorily in congruence with organisational goals.	A leader can maintain his position only through day to day wishes of followers.
Sanctions	Manager has command over allocation and distribution of sanctions.	A leader has command over different sanctions and related task records. These sanctions are essentially of informal nature.

Check Your Progress

Fill in the blanks:

1. Leaders are called 'linking pins' by ________.
2. The __________ leader gives orders which he insists shall be obeyed.
3. ___________ skill involves specialised knowledge, analytical skill and a facility in the use of the tools and techniques of a specific discipline.
4. ________ approach leadership studies were very common between 1930 and 1950.
5. _________ is a man-made system of beliefs, faith and values.
6. __________ is a collegial style characterised by low task and high people orientation where the leader gives thoughtful attention to the needs of people.

6.16 LET US SUM UP

- Leadership is a process by which an individual influences the thoughts, attitudes, and behaviours of others.
- Leaders set a direction for the rest of the group and help it to see what lies ahead. They help the team visualise what it might achieve and encourage as well as inspire the entire team to perform upto its true potential.
- Without leadership a group degenerates into non-performers. That is why the practice of leadership is known to be a key business differentiator. In order to increase individual effectiveness, one must certainly possess good team skills coupled with great leadership qualities.
- People working in business enterprises need leaders who could be instrumental in guiding the efforts of groups of workers to achieve the goals of both the individual and the organisation. Leadership is a process of influence on a group. Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.
- Leadership is a psychological process of influencing followers (subordinates) and providing guidance, directing and leading the people in an organisation towards attainment of the objectives of the enterprise. People working in an organisation need individuals (leaders) who could be instrumental in guiding the efforts of

groups of workers to achieve goals and objectives of both the individuals and the organisation.

- The leader guides the action of others in accomplishing these tasks. Major decisions in organisations are most often made by more than one person. Managers use groups to make decisions. One liability of a cohesive group is its tendency to develop groupthink a dysfunctional process. Groupthink is the tendency in cohesive groups to seek agreement about an issue at the expense of realistically appraising the situation
- The idea of importance of leadership as the driving force of the organisation was explored. Important functions of a leader include, teamwork, integration of teamwork and organisational objective, representative of subordinators, good counsellor, use of power, time management, and good communication. The various theories of leadership were propounded and discussed. The five nuances of various leadership styles were delineated in this chapter. The major leadership styles in vogue are (i) Autocratic, (ii) Democratic and (iii) Free Rein.

6.17 LESSON END ACTIVITY

"Perhaps the foggiest idea in the field of management is leadership. Yet, despite the fog that obscures its outline and hinders an understanding of leadership, all sorts of organisations are busy trying to develop it". Discuss.

6.18 KEYWORDS

Leadership: Leadership is the ability to awaken in others the desire to follow a common objective.

Autocratic Leader: A leader which gives order which he insists shall be obeyed.

Laissez Faire Leader: A free-rein leader does not lead, but leaves the group entirely to itself.

Participative or Democratic Leadership: A democratic leader is one who consults and invites his subordinates to participate in the decision making process.

Laissez-faire or Free-rein Leadership: A free-rein leader does not lead, but leaves the group entirely to itself.

6.19 QUESTIONS FOR DISCUSSION

1. "A good leader is one who understands his subordinates, their needs and their sources of satisfaction". Comment.
2. What do you think as the main characteristics of a leader and why do you prefer them over the rest?
3. What do you understand by 'leadership style'?
4. What are the major differences between autocratic and democratic styles of leadership?
5. Critically examine the different approaches to the study of leadership behaviour. Is there one best style of leadership?
6. "A successful leader is not necessarily effective". Comment.
7. Explain the qualities of a good leader.
8. How is leadership different from managership?

9. 'Without leadership an organisation is a muddle of men, machines, and materials'. Comment. Explain the importance of leadership in modern industrial and business organisations.
10. What are the main functions of leadership?
11. Critically examine the different theories of leadership.

Check Your Progress: Answers

1. Rensis Likert
2. Autocratic
3. Technical
4. Trait
5. Culture
6. Country Club (1, 9)

6.20 REFERENCE/ SUGGESTED READINGS

Bass, B. M., & Riggio, R. E. (2020). *Transformational leadership* (3rd ed.). Routledge.

Daft, R. L. (2021). *The leadership experience* (8th ed.). Cengage Learning.

Gupta, C. B. (2019). *Leadership styles and their impact on organizational performance*. Journal of Leadership and Management, 14(3), 33-49.

House, R. J., & Mitchell, T. R. (2022). *Path-goal theory of leadership: Applications and implications*. Journal of Leadership Studies, 17(2), 58-73.

Northouse, P. G. (2022). *Leadership: Theory and practice* (9th ed.). SAGE Publications.

Robbins, S. P., & Judge, T. A. (2020). *Essentials of organizational behavior* (14th ed.). Pearson Education.

Yukl, G. A. (2020). *Leadership in organizations* (9th ed.). Pearson Education.

UNIT 7

JOB ANALYSIS, JOB DESCRIPTION AND JOB SPECIFICATION

CONTENTS

Contd...

7.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Discuss the meaning of job
- Describe the meaning, steps and techniques of job analysis
- Know the competency approach to job analysis, encouraging employees to develop role based competencies
- Explain the meaning, design and uses of job descriptions
- Describe the concept of job specifications and job evaluation
- Enumerate the meaning and techniques of job design

7.1 INTRODUCTION

Organisation is described as a rational coordination of the activities of employees through division of labour, responsibility, authority and accountability. Built in this description is the realisation that organisations perform a series of activities and that to perform these activities different kinds of skills are required. Each activity carries its own set of responsibilities and the employees are given appropriate authority to perform these activities. Not only this, they are also accountable to the organisation through their immediate supervisors for accomplishing these activities according to specifications. Hence, a clear understanding of what they are supposed to do becomes a pre-requisite for effective utilisation of organisational resources. Job analysis helps us to achieve this objective.

7.2 WHAT IS 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". In other words, total work is divided and grouped into packages; we call it a job. Each job has a definite title based upon standardied trade specifications within a job. A position is a "collection of tasks and responsibilities regularly assigned to one person"; while a job is a "group of positions, which involve essentially the same duties, responsibilities, skill and knowledge". A position consists of a particular set of duties assigned to an individual.

A job is a group of essentially similar activities or tasks performed by a person or a group of persons. These activities or tasks together become a job. Obviously tasks or activities of jobs need not be identical. They may be performed in different places, with different equipment, in a different sequence. Also, some employees may perform certain activities in addition to the main job. Or some employees may perform a job occasionally or temporarily, normally to fill in for persons who are absent or on vacation. This definition of a job is typically used in compensation designing and for other management practices. However, a more generic description of a job is used, which is identified by 'position' rather than 'job'. A position is a family of jobs in which specific duties vary but some interchangeability of work is possible and the functional nature of the work is similar. Examples include assemblers, clerk-cum-typists, and book-keepers. Broader definition of a job facilitates development of accurate job information and this accurately reflects the work of each employee. While on the other hand, the more precise the job definition, the more difficult it is to identify the job differences, which further complicates the management of employees.

Generally people spend a good portion of their time doing a regular occupation. Some exceptions are being a student, disabled, retired or being/working in a creative field.

7.3 CONCEPT OF JOB ANALYSIS

Job analysis is a formal and detailed examination of jobs. It is a systematic investigation of the tasks, duties and responsibilities necessary to do a job. A task is an identifiable work activity carried out for a specific purpose, for example, typing a letter. A duty is a larger work segment consisting of several tasks (which are related by some sequence of events) that are performed by an individual, for example, pick up, sort out and deliver incoming mail. Job responsibilities are obligations to perform certain tasks and duties.

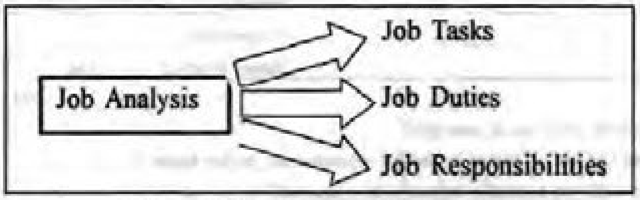


Figure 7.1: Nature of Job Analysis

Job analysis is the process of studying and collecting information relating to the operations and responsibility of a specific job. The immediate products of this analysis are job description and job specifications.

Job analysis is a systematic approach of defining the job role, description, requirements, responsibilities, evaluation, etc. It helps in finding out the required level of education, skills, knowledge, training, etc. for the job position. It also depicts the job worth i.e., measurable effectiveness of the job and contribution of job to the organisation. Thus, it effectively contributes to setting up the compensation package for the job position. Job analysis is a process to identify and determine in detail the particular job duties and requirements and the relative importance of these duties for a given job. It is a process where judgments are made about data collected on a job.

It is thus the process of gathering information about the job and evaluating such information in terms of what is necessary and relevant. Essentially, job analysis involves three questions: What is a job? What should be analysed? What methods of analysis should be used?

What should be the nature of job information for job analysis depends upon a number of considerations. Whether the analysis is required for evaluation purposes or for other purposes as well; what job level is to be analysed; what type of evaluation plan is to be used; and what job knowledge is held by the analyst who is going to conduct the evaluation. Certain basic areas of information may include:

- Fundamental purpose of the job.
- Work elements in the job. It requires study of specific tasks, areas of responsibility, and examples of work.
- General importance of each job element and its relationship to the total operation. How it is integrated with the total job?
- Approximate time spent on each task or specific area of responsibility.
- Scope of the job and its impact on the operation.
- Inherent authority (not only formal delegation but also latitude of action) and formal or informal audits of work.
- Working relationships (including supervision).
- Specific methods, equipment or techniques, are required for the job.
- Job climate, including objectives and work environment.
- Job conditions like physical effort, hazards, discomfort, chasing of deadlines, travel requirement, creativity and innovations required, etc.

Job analysis is an important personnel activity because it identifies what people do in their jobs and what they require in order to do the job satisfactorily. The information about a job is usually collected through a structured questionnaire:

Box 7.1: Partial Job Analysis Questionnaire

JOB ANALYSIS INFORMATION FORMAT

Your Job Title__________ Code_____ Date________

Class Title__________ Department__________

Your Name__________ Facility__________

Superior's Title__________ Prepared by__________

Superior's Name__________ Hours Worked____ AM____ to AM____
PM PM

1. What is the general purpose of your job?
2. What was your last job? If it was in another organisation, please name it.
3. To what job would you normally expect to be promoted?
4. If you regularly supervise others, list them by name and job title.
5. If you supervise others, please check those activities that are part of your supervisory duties:

" Hiring	" Coaching	" Promoting
" Orienting	" Counselling	" Compensating
" Training	" Budgeting	" Disciplining
" Scheduling	" Directing	" Terminating
" Developing	" Measuring Performances	" Other______

6. How would you describe the successful completion and results of your work?
7. Job Duties – Please briefly describe WHAT you do and, if possible, How you do it. Indicate those duties you consider to be most important and/or most difficult:
   (a) Daily Duties
   (b) Periodic Duties (Please indicate whether weekly, monthly, quarterly, etc.)
   (c) Duties Performed at Irregular Intervals
8. Education – Please check the blank that indicates the educational requirements for the job, not your own educational background.

" No formal education required	" College degree
" Less than high school diploma	" Education beyond graduate degree and/or professional license.
" High school diploma or equivalent	
" College certificate or equivalent	

List advanced degrees or specified professional license or certificate required.

Please indicate the education you had when you were placed on this job.

Source: Richard I Henderson, Compensation Management (Reston, Va.: Reston Publishing. 1976), pp. 98-99.

Job information can be obtained in various ways either by a staff analyst or by the individual line manager. Because of functional proximity, it is always better to involve the line managers in compiling job information. One relatively simple and inexpensive method of analysis is collecting of job information through the questionnaire response. Direct observation of work performed is another important method of job analysis. Observation of work is essential to understand the job role. However, it is more costly and time-consuming.

Box 7.2: Types of Information to be collected by Job Analysis

Work Activities

- Job-oriented activities (description of the work activities performed, expressed in "job" terms, usually indicating what is accomplished, such as galvanising, weaving, cleaning, and so on; sometimes such activity descriptions also indicate how, why and when a worker performs an activity, usually the activities are those involving active human participation, but in certain instances they may characterise machine or system functions.)
- Work activities/processes
- Procedures
- Activity records (such as films)
- Personal accountability/responsibility.

Work-oriented Activities

- Human behaviours performed in work (such as sensing, decision making, performing physical actions or communicating).
- Elemental motions (such as those used in time and motion studies).
- Personal job demands (human expenditures involved in work, such as energy expenditure).

Machines, Tools, Equipment, and Work Aids Used

- Computers (hardware and software).
- Safety equipment (Goggles and Groves)
- Office Tools (phone, fax and books).

Job-related Tangibles and Intangibles

- Materials processed
- Products made
- Knowledge dealt with or applied (such as law or chemistry)
- Services rendered (such as laundering or repairing)

Work Performance

- Work Measurements (i.e., time taken)
- Work Standards
- Error Analysis
- Other Aspects

Job Context

- Physical Working Conditions
- Work Schedule
- Organised Context
- Social Context
- Incentives (financial and non-financial)

Personal Requirements

- Job-related knowledge and/or skills (such as education, training, or work experience required)
- Personal attributes (such as aptitudes, physical characteristics, personality, interests required)

Source: William P. Anthony, et al, *Human Resource management-A Strategic Approach.* Thomson, 2008, P 208

Valuable job information can also be obtained from organisation manuals, time-study reports, former job descriptions, and method studies. Job Analysis can be classified into two broad categories: Job Description and Job Specification are discussed in detail in further sections of this lesson.

7.3.1 Importance of Job Analysis

Job analysis helps in analysing the resources and establishing the strategies to accomplish the business goals and strategic objectives. It forms the basis for demand-supply analysis, recruitments, compensation management, and training need assessment and performance appraisal. Some of the importance of job analysis are mentioned below:

- ***Organisation and Manpower Planning:*** It is useful in organisational planning. It assesses the human needs in the organisation.
- ***Recruitment and Selection:*** After assessing the manpower requirement in the organisation, it provides the realistic basis for recruitment, selection, training, development, placement, transfer and promotion.
- ***Wages and Salary Administration:*** Job analysis is used as a foundation for job evaluation, which further helps in compensation management of the workers.
- ***Job re-engineering:*** It can be further divided into:
  - *Industrial engineering activity* is concerned with operational analysis, motion study, work simplification, reducing unit labour cost, establishing standard performance and communicating it with the employees.
  - *Human engineering activity* takes into consideration human capabilities, both physical and psychological and prepares the ground for complex operations of increased efficiency and better productivity.
- ***Employee Training and Management Development:*** Job analyses provide information to the management of training and development programmes. It helps in determining the content and subject matter of training courses.
- ***Performance Appraisal:*** It helps in establishing clear-cut standards which may be compared with the actual contribution of each individual.
- ***Health and Safety:*** It provides an opportunity for identifying hazardous conditions and unhealthy environmental factors so that corrective measures may be taken to minimise and avoid the possibility of accidents.

7.3.2 What Aspects of a Job are Analysed?

Job analysis should collect information on the following areas:

- ***Duties and Tasks:*** The basic unit of a job is the performance of specific tasks and duties. Information to be collected about these items may include: frequency, duration, effort, skill, complexity, equipment, standards, etc.
- ***Environment:*** This may have a significant impact on the physical requirements to be able to perform a job. The work environment may include unpleasant conditions such as offensive odours and temperature extremes. There may also be definite risks to the incumbent such as noxious fumes, radioactive substances, hostile and aggressive people, and dangerous explosives.
- ***Tools and Equipment:*** Some duties and tasks are performed using specific equipment and tools. Equipment may include protective clothing. These items need to be specified in a Job Analysis.
- ***Relationships:*** Supervision given and received. Relationships with internal or external people.

- ***Requirements:*** The Knowledge, Skills, and Abilities (KSAs) are required to perform the job. While an incumbent may have higher KSAs than those required for the job, a job analysis typically only states the minimum requirements to perform the job.

7.3.3 Who should Conduct the Job Analysis?

It is always better to use supervisors, job incumbents or some combinations of these to obtain information about jobs in an organisation. The job incumbents offer a clear view of what work is actually done as against what work is supposed to be done. Further, involving job incumbents in the job analysis process might increase their acceptance of any work changes stemming from the results of analysis. However, on the negative side, job incumbents might exaggerate the responsibilities and importance of their work and, in the process, the whole effort might suffer due to lack of objectivity. External analysts help avoid such biased opinions. They tend to base their write-ups on a realistic view of the people, jobs and the total organisation system as a whole. To be effective, external analysts should have considerable knowledge about how work is actually processed within the organisation while offering a 'snapshot' of the job; present requirements and expected changes in future must also be taken into account. The choice of who should analyse a job depends on many factors, including the location and complexity of the jobs to be analysed, how receptive incumbents might be to an external analyst, and the ultimate purpose of the results of the analysis.

7.4 USES OF JOB ANALYSIS

Good human resource management demands of both the employee and the employer a clear understanding of the duties and responsibilities to be performed on a job. Job analysis helps in this understanding by drawing attention to a unit of work and its linkage with other units of work. More specifically, the uses of job analysis may be summarised thus:

- ***Human Resource Planning:*** Job analysis helps in forecasting human resource requirements in terms of knowledge and skills. By showing lateral and vertical relationships between jobs, it facilitates the formulation of a systematic promotion and transfer policy. It also helps in determining quality of human resources needed in an organisation.

- ***Recruitment:*** Job analysis is used to find out how and when to hire people for future job openings. An understanding of the skills needed and the positions that are vacant in future helps managers to plan and hire people in a systematic way. For example, a company might be traditionally hiring MBA students for equity research. A recent job analysis showed that the positions could be filled by graduates with an analytical bent of mind. Now, this would help the company hire equity analysts from a greater number of available graduates even by offering a slightly lower salary.

- ***Selection:*** Without a proper understanding of what is to be done on a job, it is not possible to select the right person. If a Super Bazaar manager has not clearly identified what a clerk is to do, it is difficult to ascertain if the person selected is to position stores items, run a cash register, or keep the account books.

- ***Placement and Orientation:*** After selecting people, we have to place them on jobs best suited to their interests, activities and aptitude. If we are not sure about what needs to be done on a job, it is not possible to identify the right person suited for the job. Similarly, effective job orientation cannot be achieved without a proper understanding of the needs of each job. To teach a new employee how to handle a job, we have to clearly define the job.

- ***Training:*** If there is any confusion about what the job is and what is supposed to be done, proper training efforts cannot be initiated. Whether or not a current or potential job holder requires additional training which can be determined only after the specific needs of the jobs have been identified through a job analysis.
- ***Counselling:*** Managers can properly counsel employees about their careers when they understand the different jobs in the organisation. Likewise, employees can better appreciate their career options when they understand the specific needs of various other jobs. Job analysis can point out areas that an employee might need to develop to further a career.
- ***Employee Safety:*** A thorough job analysis reveals unsafe conditions associated with a job. By studying how the various operations are taken up in a job, managers can find unsafe practices. This helps in rectifying things easily.
- ***Performance Appraisal:*** By comparing what an employee is supposed to be doing (based on job analysis) to what the individual has actually done, the worth of that person can be assessed. Ultimately, every organisation has to pay a fair remuneration to people based on their performance. To achieve this, it is necessary to compare what individuals should do (as per performance standards) with what they have actually done (as per job analysis).
- ***Job Design and Redesign:*** Once the jobs are understood properly, it is easy to locate weak spots and undertake remedial steps. We can eliminate unnecessary movements, simplify certain steps and improve the existing ones through continuous monitoring. In short, we can redesign jobs to match the mental make-up of employees.
- ***Job Evaluation:*** Job analysis helps in finding the relative worth of a job, based on criteria such as degree of difficulty, type of work done, skills and knowledge needed, etc. This, in turn, assists in designing proper wage policies, with internal pay equity between jobs.

7.5 PROCESS OF JOB ANALYSIS

To be meaningful and useful for personnel related decision-making, job analysis must be carried more at frequent intervals. Jobs in the past were considered to be static and were designed on the basis that they would not change. While people working on these jobs were different, the jobs remained unchanged. It is now realised, that for higher efficiency and productivity, jobs must change according to the employees who carry them out. Some of the major reasons leading to such change are:

- ***Technological Change:*** The pace of change in technology necessitates changes in the nature of job as well as the skills required. Word processing has drastically changed the nature of secretarial jobs. Computerisation and automation likewise give rise to new requirements of certain jobs while older requirements become redundant.
- ***Union-management Agreements:*** The agreements entered between management and the union can bring about change in the nature of job, duties and responsibilities. For example, under employees' participation scheme, the workers are encouraged to accept wider responsibilities.
- ***People:*** Human beings are not robots; each employee brings with him his own strengths and weaknesses, his own style of handling a job and his own aptitude. There is a saying that the job is what the incumbent makes of it.

Thus, the job analysis process must take into account the changing nature of job on account of the factors listed above. Often, role analysis techniques are used in dealing with the dynamic nature of job requirements.

The major steps to be followed in carrying out job analysis in an on-going organisation are given below:

Step 1: Organisation Analysis

The first step is to get an overall view of various jobs in the organisation with a view to examine the linkages between jobs and the organisational objectives, interrelationships among the jobs, and the contribution of various jobs towards achieving organisational efficiency and effectiveness. The organisation chart and the work flow or process charts constitute an important source of information for the purpose.

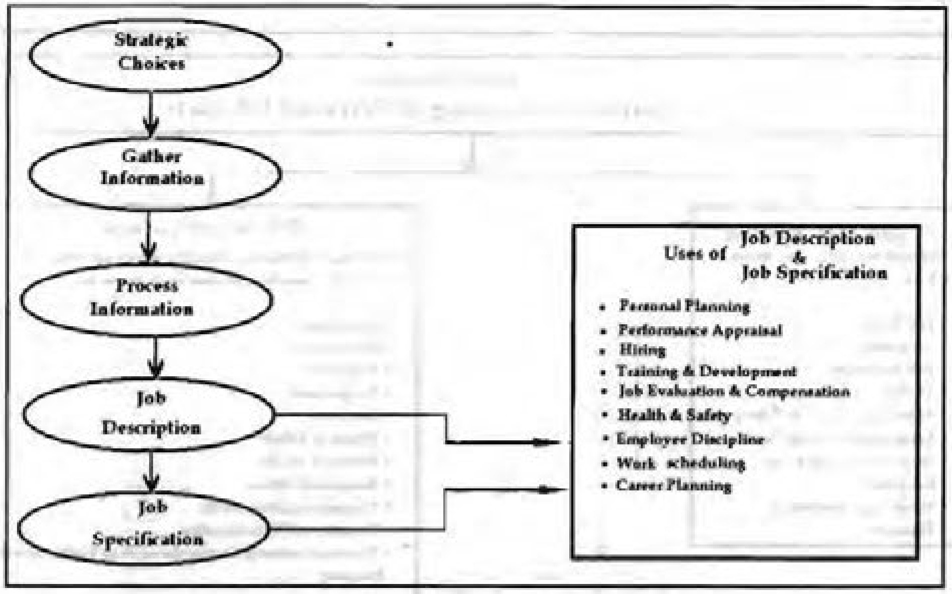


Figure 7.2: Process of Job Analysis

Step 2: Uses of Job Analysis Information

Depending on organisational priorities and constraints, it is desirable to develop clarity regarding the possible uses of the information pertaining to job analysis. In the previous pages it has been already indicated that such information could be utilised practically for all personnel functions. Nevertheless, it is important to focus on a few priority activities in which the job analysis information could be used.

Step 3: Selection of Jobs for Analysis

Carrying out job-analysis is a time-consuming and costly process. It is, therefore, desirable to select a representative sample of jobs for purposes of analysis.

Step 4: Collection of Data

Data will have to be collected on the characteristics of job, the required behaviour and personal attributes needed to do the job effectively. Several techniques for job analysis are available. Care needs to be taken to use only such techniques which are acceptable and reliable in the existing situation within the organisation.

Step 5: Preparation of Job Description

The information collected in the previous step is used in preparing a job description for the job highlighting major tasks, duties, and responsibilities for effective job performance.

Step 6: Preparation of Job Specification

Likewise, the information gathered in step (4) is also used to prepare the job specification for a job highlighting the personal attributes required in terms of education, training, aptitude and experience to fulfil the job description.

Job analysis thus carried out provides basic inputs to the design of jobs so that it is able to meet the requirements of both the organisation (in terms of efficiency and productivity) as well as the employees (in terms of job satisfaction and need fulfilment). Developing appropriate job design is then the outcome of the job analysis process.

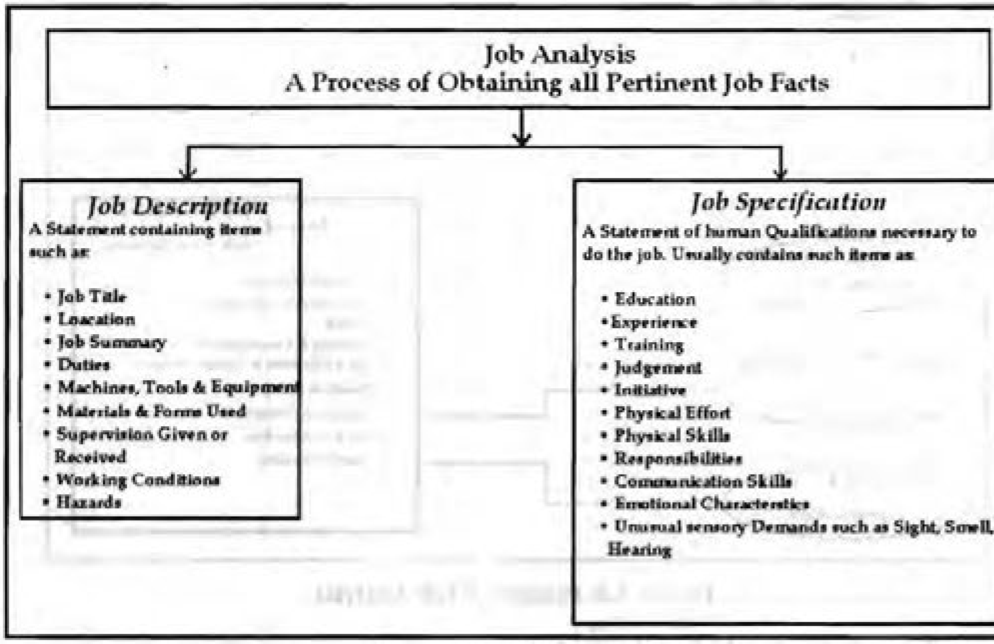


Figure 7.3: Job Analysis

The most important use of job analysis is to produce a basic job description of what the job is to facilitate basic human resource problem solving. The second is to provide employees and supervisors with a basic description of jobs describing duties and characteristics in common with and different from other positions or jobs. When pay is closely associated with levels of difficulty these descriptions will help foster a feeling of organisational fairness related to pay issues. Other important uses of job analysis are given below:

- Indicate training needs.
- Put together work groups or teams.
- Provide information to conduct salary surveys.
- Provide a basis for determining a selection plan.
- Provide a basis for putting together recruitment.
- Describe the physical needs of various positions to determine the validity of discrimination complaints.
- As part of an organisational analysis.
- As part of strategic planning.
- As a part of any human relations needs assessment.
- As a basis for coordinating safety concerns.

Job analysis is indeed an essential part of any modern human resource management system. The kind of information gathered through job analysis varies considerably depending upon the specific uses to be made of it. Accordingly, job analysis programmes are usually tailor-made for the specific purpose.

7.6 METHODS OF COLLECTING JOB ANALYSIS DATA

The data to be gathered by all the methods which are mentioned below is dependent in large part on the purpose the analysis is to be put to. Information about training needs requires information about the transaction of the work so that the trainer can determine the critical skills and knowledge that must be improved. Selection decisions require the same information usually on a broader scale. A lot of information can be inferred from well-written task statements. Some of the examples of the kind of data, which can be gathered for job analysis, are given below:

- List of tasks.
- List of decisions made.
- Indication of results if decisions are not made properly.
- Amount of supervision received.
- Supervision exercised.
- Kind of personnel supervised.
- Diversity of functions performed by supervised staff.
- Interactions with other staff (description of the staff interacted with).
- Physical conditions.
- Physical requirements (For instance how heavy are the objects that are lifted. How much stooping and bending is conducted and under what conditions).
- Software used.
- Programming language used.
- Computer platform used.
- Interpersonal contacts with outsiders (customers).
- Interpersonal persuasive skills or sales skills.
- Amounts of mental or psychical stress.
- Necessity to work as a team member.
- Needed contributions to a work group.
- Authority or judgment exercised.
- Customer service skills.

Generally, it is preferable to use a combination of several methods to get information about the job. One method could well supplement the other, where the objective is to gain as much information as possible about the job, the crucial tasks, and the essential qualifications required to perform them satisfactorily. An objective data gatherer would avoid introducing his own ideas, and also avoid describing the employees performing the job, rather than the "job" itself, for many of the employee's personal traits may have little or no relevance to the job. In order to collection analysis information on jobs, there are some following methods as follows:

7.6.1 Observation Methods

Observation methods consist of direct observation, work methods analysis, technique of critical incident.

Direct Observation

Direct observation is a method in which a researcher observes and records behaviour/events/activities/tasks/duties while something is happening. In this method, the observer actually observes the concerned worker. He makes a list of all the duties performed by the worker and the qualities required to perform those duties based on the information collected, job analysis is prepared.

For jobs of a simple and repetitive nature, the observation technique could provide adequate information on the job being performed. A clear picture may be obtained regarding the working conditions, equipment used, and skills required. Although all jobs could be usefully observed, this technique alone is not enough for more complex jobs, especially those that have many components or interactions.

Some of the advantages of this method are given below:

- It is most suitable for simple and repetitive jobs.
- Direct observation by the analyst can clear up points left unclear by other methods.

At the same time, some of the disadvantages of this method are given below:

- The presence of analyst causes stress. The workers may dislike being observed.
- The jobholders may purposely reduce the pace of activity to justify overtime.
- Observation cannot be a suitable method where the job calls for considerable personal judgment and intellectual ability.
- It may not take into account all the tasks in a work cycle stretched over a week or a month.

Work Methods Analysis

Work methods analysis is used to describe manual and repetitive production jobs, such as factory or assembly-line jobs. These methods are used by industrial engineers to determine standard rates of production which are used to set pay rates. The form of analysis on work methods is applicable to describe manual and repeated manufacturing jobs, for example the jobs of assembly-line. Such analysis on work methods consists of analysis of time, motion study and micro-motion. Work methods analysis includes time–motion study and micro-motion analysis.

In time and motion method, an industrial engineer observes and records each activity/task of a worker, then note the time it takes to perform separate elements of the job. In micro-motion analysis method, an industrial engineer uses a movie camera to record worker activities. These films are analysed to look for ways in accordance with tasks, to set standards relating to how long certain tasks should take.

Critical Incident Technique (CIT Model)

Critical incident is an event that has a significant effect, either positive or negative, on task performance or user satisfaction, thus affecting usability. CIT model is method used for collecting observations of human behaviour that are judged to be "effective" or "ineffective" in work, activities. The Critical Incident Technique (or CIT) is a set of procedures used for collecting direct observations of human behaviour that have critical significance and meet methodically defined criteria. In this method, the employee is asked to write one or more critical incident that has taken place on the job. The incident will give an idea about the problem, how it was handled, qualities required and difficulty levels, etc. critical incident method gives an idea about the job and its importance. (A critical means important and incident means anything which takes place in the job). The method of critical incident technique is applied to discover behaviours towards working which can help classify performance into good and bad level. The critical incident technique has been applied in studying some sector as follows:

- Organisational development.
- Large scale tasks and activity analysis of numerous occupations.
- Health care.
- Market research.

This method was developed by Flanagan during World War II (Director of the Division of Aviation Psychology, United States Army Air Forces). He described critical incident technique as a set of procedures used to collect observations of human behaviour. These observations are used to solve practical problems and develop psychological principles.

Interview Method

In practice, an interview is almost always necessary in order to obtain precise, complete and comparable information. The interview conducted by the analyst is an effective way of checking on the information already available on job. The analyst asks the jobholders questions on the duties and main tasks of their job, generally working from a previously prepared list of questions as with a questionnaire. After the interview, the analyst draws up a report, which is shown, to the jobholder and his immediate superior for their approval. The analyst usually drafts the report in the form of a job description, which effectively speeds up the preparatory work of job evaluation.

The interview method includes asking questions to both incumbents and supervisors in either an individual or a group setting. In this method, an interview of the employee is conducted. A group of experts conduct the interview. They ask questions about the job, skilled levels, and difficulty levels. They question and cross question and collect information and based on this information job analysis is prepared.

The interview job analysis technique requires that an experienced interviewer present well-designed questions to an employee, whose responses are used to describe a particular job. This method documents both the operations an employee performs and the employee's thought processes as she performs the tasks. As a result, the subjective findings must be verified by another more objective means, such as a questionnaire or checklist. In addition, the method may collect dissimilar information from each interview subject, which later must be converted to some common format – a process that adds cost and increases the subjectivity of the process.

There are three types of interviews are used to collect job analysis data:

- Individual interviews with each employee.
- Group interviews with groups of employees having the same job, and
- Interview supervisor who are knowledgeable about the job being analysed.

Interviews may be held by the analysts with the employee and answer to relevant questions may be recorded. The method is time-consuming and costly. A trained job analyst interviews a job incumbent, usually utilising a standardised format. Sometimes more than one worker is interviewed, and the results are aggregated. Another variation is the group interview, where several incumbents are interviewed.

However, interview has some advantages:

- Interview does provide in-depth information, which cannot be achieved through any other method.
- It also helps in collecting data about tasks that are not part of the job and yet the jobholder has to do it.
- At the same time, it can also help in finding ways and means to simplify some of the operations involved in the job.

Following are some of the disadvantages of this method:

- Interviews are time consuming. Atleast an hour or two may be necessary for each case, plus the time spent by the analyst in drawing up his report and by the jobholder and his immediate superior in checking it. In a large enterprise a team of analysts would be necessary.
- The main difficulty of the interview lies in finding high quality analysts who can win the jobholder's confidence. As has been noted, "too many imagine interviewing to be relatively simple whereas nothing could be farther from the truth". Obtaining information from a jobholder about his job is difficult.
- Many workers show a natural distrust of the analyst who comes to examine their work, while others will give a lot of information, much of it useless. It is accordingly essential to have a well trained and experienced team of analysts if the interview is to be the only method used.

7.6.2 Questionnaire Methods

A job questionnaire is a special tool for consolidating job information. It is a printed form, in which essential information about the job may be listed either by the employee or by his supervisors. The major advantage of the job questionnaire is that it uses the knowledge of those who are proximate to the job. In addition, it gives each employee an opportunity to participate and contribute by giving responses to the questionnaire, which facilitates immediate compilation of job information.

In this method, a questioner is provided to the employee and they are asked to answer the questions in it. The questions may be multiple choice questions or open ended questions. The questions decide how exactly the job analysis will be done. The method is effective because people would think twice before putting anything in writing.

The questionnaire is a relatively inexpensive way to collect well-structured data regarding a job, as a trained interviewer is not required to meet with individual employees to obtain responses. A questionnaire simply is distributed to employees, supervisors and managers, each of whom responds to questions regarding work activities. Such questions may pertain to the expertise required to perform an activity or the time required to complete an activity. One issue with questionnaires is that employee responses may be incomplete due to fear about how the information might be used. Responses also may be incomprehensible or so inconsistent that it's difficult to identify information that accurately describes the work performed. In addition, the questions provided to the employees may reflect the bias of the questionnaire creator, which affects the validity of the responses.

Properly drafted questionnaires are sent out to job-holders for completion and are returned to supervisors. The information received is often unorganised and incoherent. The idea in issuing questionnaire 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. There are two types of questionnaires: The structured questionnaire uses a standardised list of work activities, called a task inventory that job incumbents or supervisors may identify as related to the job. In addition, the respondent may also identify additional information such as how much time is spent on the task, the amount of supervision required, and/or the expertise required. The open-ended questionnaire asks the job incumbent to describe the work in his or her own words.

To make a start, a job questionnaire could be administered to all concerned employees asking them about the job, its various components, time spent on each of them, and so forth. The completed questionnaire could be given to the supervisors for their comments. In some cases, job-reviewing committees are formed, consisting of union representatives and specialists from the personnel, work-study, or industrial engineering department. The questionnaire has the following advantages:

- First of all, it is the most cost effective method, since it can elicit information from a wide number of workers and their immediate superiors in a relatively short period of time. The main task of the analyst becomes one, of planning the questionnaire well and checking the responses provided.
- Secondly, workers take an active part in completing the questionnaire providing intimate detailed knowledge of their jobs, which is not available elsewhere.
- Thirdly, the questionnaire has to be structured in advance, and this facilitates the processing of the results.
- In some cases, once the responses to the questionnaire have been verified, they can conveniently be used with little further processing to prepare a job description.

The questionnaire method however has the following disadvantages:

- To start with, the people that are required to complete it must have a certain level of education; and even then, questions may be interpreted in different ways so that the answers may be beside the point.
- Furthermore, not everyone is able to describe fully and exactly the task that constitute their job. One may, for example, overemphasise some features of it and completely ignores others when they are important.
- There is less risk of this with a detailed questionnaire that includes a checklist of points, questionnaire suited to all jobs is not easily drawn up and may be unduly long.

Questionnaire methods include six techniques which are as follows:

Position Analysis Questionnaire (PAQ Model)

PAQ model developed by McCormick, Jeanneret, and Mecham (1972), is a structured instrument of job analysis to measure job characteristics and relate them to human characteristics. Recently there has been increased concern about quantification of the process of job analysis. A structured Position Analysis Questionnaire (PAQ) can help the process. It consists of 195 job elements that describe generic human work behaviours. The job elements are normally rated by the analyst on a scale of 0 to 5. However, administering PAQ is not at all simple.

The model of PAQ is a technical questionnaire for analysation of jobs. 195 items of job elements includes six categories:

- Interpersonal activities (36 elements)
- Work situation and job context (19 elements)

- Miscellaneous aspects (41 elements)
- Information input (35 elements)
- Mental processes (14 elements)
- Work output (49 elements)

There are several advantages inherent in the Position Analysis Questionnaire:

- PAQ method/technique is structured to allow for easy quantification.
- The format of this method includes in both data collection and computer analysis and can yield results much faster than the other methods.
- It has been shown to be extremely reliable, results usually replicate on a second administration.
- The taxonomic approach of the PAQ makes comparison of jobs relatively easy.

Disadvantages of PAQ method/technique are as follows:

- One of the major disadvantages of PAQ, however, is related to its taxonomic approach.
- Getting Human Resources probably because its language is not specific to particular jobs.
- Another criticism of the language used in PAQ is that its reading level is too difficult.

Functional Job Analysis (FJA Model)

Functional Job Analysis (FJA) was used by U.S. Employment Service job in the beginning of the 1940's to classify jobs for the DOT (The Dictionary of Occupational Title). FJA model is a method of job analysis that was developed by the Employment and Training Administration of the United States Department of Labour.

FJA model is similar to the DOL method, but differs in two ways:

- Functional job analysis also identifies performance standards and training requirements.
- Functional job analysis rates the job not just on data, people, and things, but also on another dimensions: worker instructions, reasoning, mathematics and language.

This method were developed by groups of four to six Subject Matter Experts ("SMEs" are typically supervisors, job incumbents, or job analysts). Functional Job Analysis includes 7 scales (numbers) that measure:

- 1 worker - instruction scale.
- 3 scales that measure reasoning, mathematics, language.
- 3 worker-function scales: measure % of time spent with: data, people, things.

Each scale has several levels that are anchored with specific behavioural statements and illustrative tasks.

Work Profiling System (WPS Model)

WPS model is computer-administered system for job analysis, developed by Saville & Holdsworth, Ltd. (SHL Group). This is one of questionnaire methods. There are three versions of the WPS: managerial, service and technical occupations. This method contains a structured questionnaire which measures the ability and personality attributes such as hearing skills, sight, taste, smell, touch, body coordination, number skills, complex management skills, verbal skills, personality and team role. Purposes of WPS method/technique are as follows:

- Choose defensible assessment procedures and methods.
- Identify jobs for rotation and cross-training.
- Identify and define competencies for hiring purposes, career development and succession planning.
- Document existing jobs in the form of job descriptions and person specifications.
- Structure and define new jobs.
- Identify performance review measures.
- Create job families.
- "Transport" validation research.
- Create an equitable pay structure.
- Identify specific areas of training and development.
- Audit skill requirements.
- Develop performance management systems.
- Re-define and merge jobs.
- Match candidates against job profiles.
- Improve interviewing.
- Build teams.
- Manage changes in roles and culture.

MOSAIC Model

Multipurpose Occupational Systems Analysis Inventory-Closed Ended (MOSAIC model) is a job analysis method used to collect information from incumbents and supervisors on many occupations for a wide range of HRM functions. This method was developed by the Office of Personnel Management. Based on Gregory and Park, 1992, this system uses an automated occupational analysis approach that eliminates costly redundancies in the collection of data and provides technically sound, legally defensible procedures and documentation to support human resource management. MOSAIC has been conducting a large occupational analysis projects, each project conduct a different set of occupations (e.g., clerical, managerial, etc.) for government occupations.

Each job analysis inventory used to collect data for MOSAIC includes a variety of descriptors. The two critical types of descriptors are tasks and competencies. The questionnaire contained a diverse set of items, including:

- 22 competencies (a human quality or characteristic associated with the performance of managerial tasks, e.g., knowledge, skill, ability, trait, motive, or self-concept) rated in terms of importance, and needed proficiency at entry.
- 151 job tasks rated in terms of importance for effective job performance.

A standard questionnaire was developed and sent to over 20,000 federal executives, managers and supervisors.

Common Metric Questionnaire (CMQ Model)

CMQ model was developed by Harvey as a "worker-oriented" job analysis instrument designed to have applicability to a broad range of exempt and non-exempt jobs. CMQ include five sections:

- ***Background:*** Background section asks 41 general questions about work requirements such as travel, seasonality, licensure requirements.
- ***Physical and Mechanical Activities:*** Physical and mechanical activities section asks 53 items about physical activities and equipment, machinery, and tools.
- ***Work Setting:*** Work Setting asks 47 items that focus on environmental conditions and other job characteristics.
- ***Contacts with People:*** Contacts with people section asks 62 questions asking level of supervision, degree of internal and external contacts, and meeting requirements.
- ***Decision Making:*** Decision Making asks 80 items in the CMQ method/technique focus on relevant occupational knowledge and skill, language and sensory requirements, and managerial and business decision making.

A matrix response format is also used, respondent is asked to provide ratings for up to frequency, criticality, and consequence of error.

Fleishman Job Analysis System (FJAS Model)

FJAS model is a system to describe jobs from the point of view of the necessary capacities. This method is a questionnaire developed by Edwin A. Fleishman (Fleishman and Quaintance, 1984). His method includes 52 cognitive, physical, psychomotor, and sensory abilities; each of the categories consists of two parts – an operational and differential definition and a grading scale.

First step, analyst will list all elements are as follows:

- Cognitive
  - Perceptual Abilities
  - Spatial Abilities
  - Idea Generation and Reasoning Abilities
  - Quantitative Abilities
  - Memory
  - Attentiveness
  - Verbal Abilities
- Psycho-motor
  - Control Movement Abilities
  - Reaction Time and Speed Abilities
  - Fine Manipulative Abilities
- Physical
  - Endurance
  - Flexibility, Balance, and Coordination
  - Visual Abilities

- Auditory and Speech Abilities
- Physical Strength Abilities

7.6.3 Other Methods

Following are the other methods of job analysis:

Task Inventory

A task inventory is a list of the discrete activities that make up a specific job in a specific organisation. A task inventory is method to identifying—with the help of employees and managers—a list of tasks and their descriptions that are components of different jobs. The list of task itself is not a job description, it is a method used in job analysis. This method was initially developed by US military. This method was used when a large number of jobs in an occupational category are to be analysed and incumbents cannot be interviewed individually.

Task inventory processes are:

- Incumbents can respond to tasks listed by interview.
- Rate the frequency, time spent of each task by analyst, supervisors, incumbents.
- These tasks then allow inferences about KSAs needed to perform the job.
- The rating scales allow inferences about weighting KSAs and tasks in selection.

Job Element Method

Job element method is a method of job analysis, developed by Ernest Primoff. This method, like the critical incident technique, focuses on satisfactory workers. It attempts to identify the characteristics of satisfactory workers (job elements). JEM method focuses on work behaviours and the results of this behaviour rather than more abstract characteristics. JEM is usually conducted by a professional analyst, who is project leader, and a team of six Subject Matter Experts (SMEs), who are usually incumbents and supervisors.

Diary Method

In this method, the workers are asked to maintain and keep daily records or list of activities they are doing on every day. This method also calls work/log method. Work diary/log is to ask workers to keep a diary/log of what they do during the day. Some firms take a high-tech method to apply word diary/log. This approach can avoid one pitfall of the traditional diary/log method: relying on workers to remember what they did hours earlier when they complete their diary/log.

Companies can ask employees to maintain log records or daily diary and job analysis can be done on the basis of information collected from the record. A log record is a book in which employee records/writes all the activities performed by him on the job. The records are extensive as well as exhausted in nature and provide a fair idea about the duties and responsibilities in any job. In this method, worker actually does the work himself and idea of the skill required, the difficulty level of the job, the efforts required can be known easily.

Checklists and Rating Scales

In this method, jobs are analysed by using a list keeping track of such job elements. Many questions can be raised, such as working purposes, key roles and responsibilities, organisation; relationships; decision making; authority; skills, knowledge, experience; working conditions. Checklists are a fairly inexpensive and easy-to-administer method of gathering information regarding a job. By using this method, an employee or manager "checks off" tasks on a list that must be performed to accomplish the requirements of a particular job. A checklist may include entries such as "attend meetings with customers", "write job descriptions" or "conduct surveys". Because a checklist may not address all aspects of a job, the data obtained using a checklist may be supplemented by observation of work activities or employee interviews.

Competency Profiling

"Competency is knowledge, skill, ability, or characteristic associated with high performance on a job". (Mirabile, 1997).

"Competency is a description of measurable work habits and personal skills used to achieve a work objective" (Green, 1999).

Competency modelling is a measurable method of knowledge, skill, abilities, behaviours, and other characteristics that an individual needs to perform work successfully or competency modelling is the activity of determining the specific competencies that are characteristic of high performance and success in a given job. Competency Modelling includes elements are as follows:

- Skills
- Knowledge
- Values
- Interests
- Personality
- Abilities

Examining Manuals/Reference Materials

In analysing jobs, the analysts use manuals/or materials of reference including quality manual, human resource manual, procedures, instruction forms, job description, etc. These documents are available so that organisations can apply them in accordance with standards of ISO 9000.

Technical Conference

A technical conference is a time-consuming method to collect comprehensive data regarding a job that reflects the expertise and experience of subject matter experts. During the conference, a job analyst facilitates a discussion of duties and requirements and documents a job description based on a consensus of technical experts. While this description is frequently more accurate and inclusive than that documented during an observation of an employee's work, the opinion and approach of one expert may vary greatly from that of another. In addition, it might be difficult for an expert to describe specific aspects of a work task. As a result, additional costs are incurred due to time spent to gain a consensus. Technical conference is method of job analysis base on SMEs. SMEs are "subject matter experts".

SMEs can include:

- Supervisor
- Incumbents who are familiar with work
- Human resource staff/supervisor/manager

SMEs conduct brainstorming sessions to identify job elements. Assign weights to each of the elements based on the following criteria:

- Proportion of barely acceptable workers who have the job element;
- Effectiveness of the element in picking a superior worker;
- The trouble likely to occur if the element is not considered; and
- The effect of including the job element on the organisation's ability to fill job openings.

Threshold Traits Analysis System (TTAS Model)

Threshold Traits Analysis System (TTAS model) is a method of job analysis, was developed in 1970 by Felix Lopez. This method used to provide a theoretically coherent, multipurpose, trait-oriented and defensible method of job analysis. The entire TTAS contains several different pieces. Some pieces are designed for describing traits for selection, some are designed for training, and some are designed for job description (although a TTAS can be used for other purposes as well, including job evaluation).

Threshold traits analysis system includes a standard set of 33 traits. There traits are divided into two classes ability and attitude.

- ***Ability traits*** are "can do" factors. They are described as abilities and contain the physical, mental, and learned traits.
- ***Attitudinal traits*** are "willing to do" factors. They are described as attitudes and contain the motivational and social traits.

These traits also are assessed for six characteristics: level, practicality, weight, degree, critique and availability as follows:

- ***Levels*** are trait's complexity.
- ***Practicality*** is estimated proportion of job applicants thought to possess trait indicated.
- ***Degree*** represents a four grade assessment of a person's possession of a trait, ranging from unacceptable to superior.
- ***Critique*** refers to relationship between possession of a trait and job performance.
- ***Availability*** describes supply/demand ratio of each trait level in labour market.
- ***Weight*** is an index of the impact of particular trait on job performance.

Combination of Methods

In process of analysing jobs, experts can apply or make a mix of all methods to gather information relating to job. Take an instance, whenever direct observation is used, interviews are used at the same time.

HRD Records

Records of every employee are maintained by HR department. The record contains details about educational qualification, name of the job, number of years of experience, duties handled, any mistakes committed in the past and actions taken, number of promotions received, area of work, core competency area, etc. based on these records job analysis can be done.

7.7 CONCEPT OF JOB DESCRIPTIONS

Compiled job information is translated to job descriptions. Job descriptions are written records of job duties and responsibilities and they provide a factual basis for job evaluation. Job descriptions are recorded on a standard form in a uniform manner. Job description contains details of reporting relationships (to whom the job holder reports and who reports to the job holder), a statement of the overall purpose of the job and the list of the main tasks, activities or duties (whichever term is used) that the job holder has to carry out.

It is basically descriptive in nature and contains a statement of job analysis. It provides both organisational information (location in structure, authority) and functional information (nature of work). It defines the scope of job activities, major duties and responsibilities and major position of the job in the organisation. Job description is different from "performance assessment". The former is concerned with functions such as planning, coordinating and assigning responsibilities, while the latter is concerned with quality of performance. Though job description is not assessment, it provides an important basis for establishing assessment standards and objectives. Job description describes the "job" and not the "job holder".

For the obvious requirement of writing skill in the preparation of job descriptions, many organisations assign this task to trained and professional job analysts. However, this by itself cannot guarantee flawless job descriptions. This is because a professional job analyst may not have specific job knowledge. Therefore, despite engaging an analyst, it is always better to involve the in-house people for scientific description of jobs.

In terms of format, the job description should first name the job, using the title which accurately summarises duties assigned. While naming a job, it is always better to consider the job family. To illustrate, instead of naming a HR job as HR Manager, if the term 'Knowledge Manager' is used, it may give a contemporary or trendy job title but for the others (including members within the organisation) it may be a misnomer. Secondly, job description should then document in a single form (frequently with short sentences or phrases) a list of duties assigned. What is to be included, while listing the job duties and how those are to be written will depend on the level of the position and the purpose to be served by the description. For the top management level, a job description may be the description of business goals and objectives. While, at the operational level, job descriptions may be limited to listing of specific duties performed, equipment used, and procedures followed. The broader the use of the job description information and the higher the functional level, the longer the job description. Therefore for operational positions, job description may be about one page, while for higher management, it may run through pages.

7.7.1 Should Employees See their Job Descriptions?

Today's organisations are dynamic and every now and then require restructuring, which also necessitates redesigning of jobs. Therefore, it is widely believed that showing a job description to employees may cause controversy and in future employees may resist doing work which is not specifically listed in their job descriptions. However, if job descriptions are well developed, there is nothing wrong in sharing them with the employees, as it spells out the list of duties employees are expected to perform. To eliminate the problem, an all-inclusive statement like 'in addition to the listed duties and responsibilities, your superior may ask you to perform other tasks from time to time' that can be considered.

By sharing job descriptions with employees, organisations can make their job evaluation process participative and avoid any dissonance on job evaluation results. This is also important, as organisations are also laden with employees' dissatisfaction on job pricing. Communication of job descriptions enhance acceptance of the same, as employees are not left with any doubts about their duties and responsibilities. Such communication with the employees should be an on-going exercise, as employees can also understand their changed job duties and responsibilities, if any.

7.7.2 Objectives of Job Description

Job descriptions help in getting the things done through people and it helps management to accomplish following objectives:

- Efficient organisation of jobs.
- Proper recruitment or staffing in the organisation.
- Assigning jobs to people by communicating to them about their duties and responsibilities and by setting job standards.
- Reviewing performance of the people.
- Improving performance through appraisal and training.
- Rewarding employees.

Therefore, job descriptions play a very crucial role in key management activities. However, it is very important for the manager to ensure that job descriptions are correct and whatever jobs have been assigned are essential. He must ensure that essential tasks have only been grouped into jobs. Since job descriptions have interconnectivity, he has to align it to recruitment, performance appraisal, training needs, and promotion, transfer and relocation decisions. From employees' point of view, it should also show employees what is expected of them how to do the work assigned.

By listing assigned duties in a job description, a manager can determine reasonable performance standards. Identification of such performance standards facilitate benchmarking of performance of an employee against the best performer.

Job descriptions also facilitate proper manpower utilisation. By periodic reviewing of the listed duties, a manager can identify which jobs is time consuming but requires lower skill-set. He can reassign such jobs accordingly to lower-paid employees. In addition, the manager can also study jobs in terms of workload and determine man-hours required. For low technology and low-skill jobs, he can consider the decision to off-load the job to subcontractors. Therefore, it has tremendous implication for effective HRP in an organisation. We may call this also an instrument for proper rightsizing of employees in an organisation.

Finally, job descriptions, as a basic management tool, also influence operating procedures by identifying duplication of work, indicating a scientific work flow, suggesting better allocation of jobs and by pointing out possible job bottlenecks.

7.7.3 Components of Job Description

Components of job description are as follows:

- ***Job Identification or Organisational Position:*** It includes the job title, alternative title, department, division, plant and code number of the job. The job title identifies the job properly. The department, division indicates the name of the department whether it is maintenance or mechanical. The location gives the name of the place.

- ***Job Summary:*** It serves two important purposes. Firstly, it provides a short definition to various job duties and responsibilities where job title is not adequate. Secondly, it gives a "quick capsule explanation" of the contents of the job.
- ***Job Duties and Responsibilities:*** It is regarded as the heart of the job. It tells us what needs to be done? How should it be done? Why should it be done? It is a comprehensive list of job duties and responsibilities.
- ***Relation to Other Jobs:*** This helps to locate the job in the organisation by indicating the job immediately below or above it in the job hierarchy. It also gives an idea of the vertical relationship in the organisation.
- ***Supervision:*** Under this, it gives the span of control, that is, the number of people to be supervised along with their job title. It also tells us the extents of supervision involved - general, intermediate or close supervision.
- ***Machine, Tools and Equipment:*** These define each major type or trade name of the machines and tools and the raw materials used.
- ***Working Conditions:*** Tells us about the environment in which the job holder must work. These include temperature, odour, fumes, light, ventilation moisture and such other conditions inside the organisation.
- ***Hazards:*** It gives us the nature of risks to life and their probability of occurrence.

7.7.4 Problems with Job Descriptions

Job Description serves as a valuable guide for both the employees and the employer. Employees know what they are supposed to do well in advance. Employers, on the other hand, can take collective steps when the duties covered by the job description are not performed as required. In actual practice, several problems crop up consciously or unconsciously while formulating job descriptions.

- It is not easy to reduce all the essential components of a job in the form of a clear and precise document.
- Job descriptions are sometimes not updated as job duties change.
- They can limit the scope of activities of the job holder, reducing organisational flexibility.

7.7.5 Limitations of Job Description

Limitations of job description are as follows:

- Job descriptions are not the perfect reflections of the job. The objective of job description is to differentiate it from other jobs and assign its limits. The executives tend to carry work patterns with them into their new jobs, thus modifying the job drastically.
- Jobs tend to be dynamic, not static and a job description can quickly get outdated. Therefore, jobs should be constantly revised and kept up-to-date.

Both supervisors and subordinates should and use job description, otherwise job evaluation and job performance review would seem to be unfair.

7.6 DESIGN OF JOB DESCRIPTION

A primary output or result of job analysis is job description. Information obtained by job analysis is shifted and recorded concisely, clearly and fully in the job description. The job description must assemble all the important elements of a job, such as essential tasks, responsibilities, qualifications required and the functional relation of the job to other jobs.

There is no universally accepted standard format for job descriptions for the reason that the form and structure of the job descriptions must depend on the kind of work being analysed and the job evaluation plan being used. For example, if the job evaluation form comprises factors such as physical and intellectual effort, knowledge, skills, and responsibilities and working conditions, it follows that job description should be structured to reflect these factors so as to facilitate factor by factor comparison and evaluation of the jobs. With non-analytical methods, job description may be more flexible and simpler but most specify the title of the job and its position in the organisation summarises the tasks performed and list the skills and abilities required.

It is helpful to follow the following guidelines when writing a job description:

- Always be accurate about what is expressed.
- Omit expressions which are attributes — such as uninteresting, distasteful, etc.
- Personal pronouns should be avoided — if it is necessary to refer to the worker, the word "operator" may be used.
- Do not describe only one phase of the job and give the impression that all phases are covered.
- Generalised or ambiguous expressions, such as 'prepare', 'assist', 'handle', etc. should be omitted unless supported by data that will clarify them.
- All statements should be clearly defined and simply set down - promiscuous use of adjectives only reflects one's own opinion.
- Describe the job as is being done, by the majority of workers holding the designation.
- Write in simple language — explain unusual technical terms.
- Description of a job, which is part of teamwork, should establish the team relationship.
- The length of description is immaterial; it is not expected even with printed forms that all job descriptions should be of equal length but write concisely.
- When the job analyst finds that the data he has to work with is insufficient, s/he should stop until sufficient data is available.
- Put the date of completion of each description and revise it as often as changes in jobs and occupation require.
- Job description should have the concurrence of the concerned supervisor.
- Description should contain the initials of the persons who compile them.

7.7 USES OF JOB DESCRIPTION

Apart from being a basis for job evaluation, the job descriptions can be put to many uses. They are as under:

- ***Supervisor-employee Communication:*** The information contained in the job description outlines the work, which the incumbent is expected to perform. Hence, it is an extremely useful document for both the supervisor and the subordinate for purposes of communication. Furthermore, it helps employees to understand just what work their associates are expected to perform, thus, facilitating integration of efforts at the work site by the employees themselves.

- ***Recruitment, Selection, Promotion Transfer:*** Information pertaining to the knowledge, skills and abilities required to perform the work to an acceptable standard, can be used as a sound basis on which to base standards are procedures for recruitment, selection, promotion and transfer.
- ***Work Performance Appraisal:*** To be sound and objective, a performance appraisal system must be rooted in the work performed by the employee; such work is indicated by the duties in the job description. In such an approach, using each duty as the basis for discussion, the employee and the supervisor agree on work performance goals for the period to be covered by the subsequent evaluation report; they also agree on the criteria to be used to determine the extent to which the goals have been attained. The reports resulting from this methodology minimise subjectivity by focusing attention on the job, as distinct from the personality traits, habits or practices of the employee. As a consequence, the results are more factual; valid and defensible than is the case in other types of systems.
- ***Manpower Planning, Training and Development:*** These three processes are closely interrelated. The job description showing, in specific terms, the knowledge, skill and ability requirements for effective performance of the duties, is a sound and rational basis for each of these processes. Analysis of various types of jobs at progressively more senior levels will indicate logical sources of supply for more senior posts, as part of manpower planning. It will also indicate the gap to be bridged in terms of knowledge, skill and ability, thus providing a sound basis for preparing job-related training and development programmes.
- ***Industrial Relations:*** Frequently, issues arise in the industrial relations field, which have their origin in the work to be undertaken. In these instances, the job description may be used to form a factual basis for discussion and problem resolution.
- ***Organisation and Procedure Analysis:*** The duties and responsibilities outlined in the job description may be used to a great advantage by management in analysing organisation and procedures, because they reveal how the work is organised, how the procedure operate and how authority and responsibility are appointed.

7.8 JOB CLASSIFICATION

Job classification is a scheme of classifying a job according to the current responsibilities and duties associated with the job. It is different than job design in that the person assigned to the job is not taken into consideration. Jobs are classified with the purpose of studying jobs in a holistic perspective.

Job classifications group's jobs into various grades, each grade having a certain specific class description and many times a pay scale that is used for job comparisons. Often the title is also assigned on the basis of grade arrived at after the job classification.

7.8.1 Need for Job Classification

There are various methods available for classifying jobs and often these vary across organisations and the industries. The basic purposes of classifying jobs are:

- To help in recruitment and selection by defining significant qualification standards.

- To help in designing and developing standards for performance and appraisals.
- Allocating responsibilities aligned to the company mission and vision and those that help in the realisation of organisations business plans and strategies.
- Identification of career and growth paths in organisations.
- Establish standards for compensation.

7.8.2 When and where is a Job Classification System Used?

A job classification system cannot be used for positions which do not match in terms of their duties and responsibilities. Instead it is used to group positions that have similar duties and responsibilities, require same qualifications, experience and training interventions. As mentioned above it is beneficial in recruitment, selection and compensation in a standard way across the whole organisation.

The most important aspect of job classification is that it is based upon the objective aspects of the job and does not take into consideration the person assigned, the skills and the performance levels for the job. Instead factors like scope and level of responsibilities and duties, decision making authority and its relationship to other jobs is taken into consideration.

Job classification as a system empowers the administration to handle a wide variety of job functions and rather than just one, at a single time. Different positions are named and assigned titles and grades, keeping the job characteristics into consideration.

Job classification is not a constant or one time process; it is an ever changing one. They change due to introduction of new policies and procedures, new management initiatives and in many cases due to introduction of new technologies. The flip side of this is that it may affect employee productivity or performance and their reporting relationships. People resources may be redeployed and employees may find it difficult to adjust with the new people environment, affecting the performance due to change in benchmark standards. Then again in certain cases the productivity may increase in case of certain employees and decline in case of others depending upon how these employees deal with the stressors.

Many organisations use the tools of job balance assessment and competency matrix assessment for dealing with the changes associated with job classification. These tools help in aligning the employees with changes in the external environment such that their productivity levels are enhanced and not otherwise.

7.9 GENERAL AND SPECIFIC PURPOSE OF JOB DESCRIPTION

Job Description is a summary of job analysis findings that helps managers determine what an employee is supposed to do when onboard. The purpose of job description depends on the level of details the job findings include. Job description carried for general purpose typically involves job identification (title, designation, location) and a statement of duties and functions of a prospective or existing employee. A specifically carried job description includes detailed information about the kind of job, how it is supposed to be performed and what is expected to be delivered. Let's discuss the general and specific purpose of conducting a job description process.

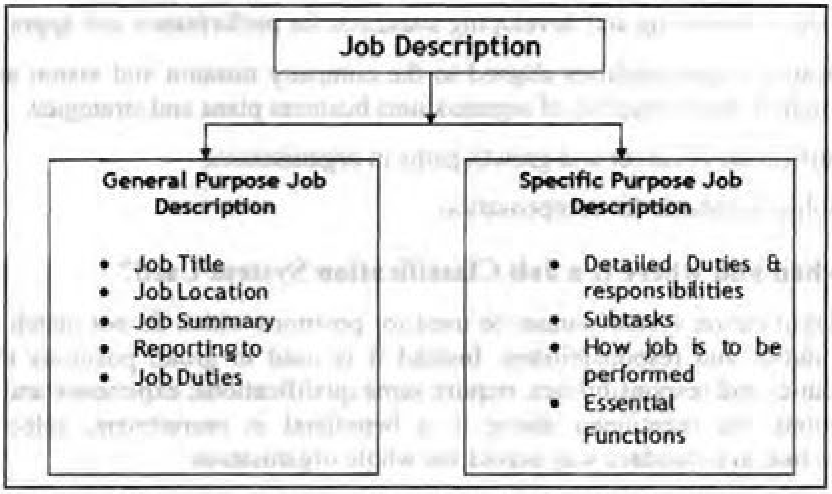


Figure 7.4: General and Specific Purpose of Job Description Process

7.9.1 General Purpose of Job Description

General purpose job descriptions are used by organisations to find the very basic information about a particular job opening. Though data includes worker's duties but does not contain sub tasks, performance standards and basis for evaluating jobs and establishing right compensation packages.

Advantages

The main benefit of general purpose job description is that it does not consume much time and quickly provides basic information to managers. It does not require much human efforts and is very easy and convenient to carry out. Additionally, a job analyst does not have to conduct deep research to gather the required details.

Disadvantages

The main disadvantage of general purpose job description is that it does not provide managers with full-fledged information about job context and sub tasks. Sometimes, a manager may fail to extract correct information from such small amount of data.

7.9.2 Specific Purpose of Job Description

Specific purpose job description includes detailed information about job responsibilities of an employee. It also covers sub tasks, essential functions and detailed job duties. It involves huge amount of details such as what an employee needs to do, how it is to be done and what are the performance standards, etc.

Advantages

The main benefit of specific purpose job description is that it offers ample information to evaluate job performance and determine training needs of employees. It serves as a basis for all other HR processes including recruitment and selection, performance appraisal, compensation decision and many more.

Disadvantages

Though it assists managers in decision making process but it has its own limitations. The process, however, may take very long and consume lots of human efforts. Since, it involves collecting detailed information; the biased nature of job analyst can cause severe problems. The data collected may not be 100 percent genuine.

Therefore, it can be said that information collected during job analysis defines the purpose of job description. If data collected is extremely basic, it will serve only the general purpose and therefore, cannot be used for making management decisions. On the other hand, detailed data serves the specific purpose and can be easily used while making important decisions.

7.10 CONCEPT OF JOB SPECIFICATIONS

Job specification tells what kind of person to recruit and for what qualities that person should be tested. Job specification translates the job description into terms of the human qualifications which are required for a successful performance of a job. They guide in hiring and job evaluation. Job specifications are developed with the co-operation of the personnel department and various supervisors in the whole organisation. The personnel department coordinates the writing of job description and job specification and secures agreement on the qualifications required.

Workload analysis helps in identifying the minimum qualification needed to perform a particular job. These may include academic qualifications, professional qualifications, age, years of experience, relevance and nature of previous experience, and other skills and attitudes. They form the minimum eligibility requirements, which the candidate must have, for the appointment to a job. A clear indication of specifications helps in generating eligible applications, because of self-selection. The candidates who do not possess those qualifications do not apply. On the other hand, lack of clear-cut specifications may generate a large number of applications, leading to high costs, in terms of man-hours, in processing them.

In addition to providing information about duties associated with job assignments, job descriptions also outline basic specifications of the job. Such specifications include education or experience, required to do the job and special knowledge and skill set necessary to carry out the job. In addition, specifications also identify the soft skills like interpersonal skills, analytical ability, problem-solving skills or decision-making skill, etc., which are required to perform the duties assigned.

This exercise of processing job information is known as developing job specification. It helps in the evaluation of jobs and at the same time it defines the attributes required for a job position, which are required while going for recruitment. Therefore, job specifications list out all those attributes, like education, experience, age, physical fitness, etc., along with other soft skills required for performing a job. This also requires special skill of the analyst, as any judgemental mistake, may defeat the purpose, not only by selecting a wrong person for a job but also for wrongly evaluating a job, which is directly associated with job pricing.

There is a great deal of disagreement with regard to developing complete and correct job specification unlike the job description, which provides more objective assessment of job requirements. The decision to specify minimum human requirements for a job is a difficult one as it involves considerable degree of subjectivity. There is a general feeling that organisations generally tend to establish relatively high requirements for formal education and training, resulting in a situation where highly qualified people end up doing jobs of routine nature. Particularly, in India, highly qualified personnel are recruited for jobs where their abilities, skills and knowledge are under-utilised.

Despite these problems, however, minimally acceptable human requirements need to be specified for various jobs and category of jobs. The format for job specification should include the following items:

- Position Title
- Education/Training

- Experience
- Knowledge
- Abilities
- Skills
- Aptitude
- Desirable Attributes
- Contra-indicators, if any.

Job specification is useful in the selection process because it offers a clear set of qualifications for an individual to be hired for a specific job. Likewise, a well-written job specification offers a clear picture to new recruits of what they will be doing in the organisation. A specimen job specification is given in Box 7.3:

Box 7.3: Job Specification of Compensation Manager

Education	• MBA with specialisation in HRM/MA in social work / PG Diploma in HRM/MA in industrial psychology.
	• A degree or diploma in Labour Laws is desirable.
Experience	• At least 3 years' experience in a similar position in a large manufacturing company.
Skill, Knowledge, Abilities	• Knowledge of compensation practices in competing industries, of job analysis procedures, of compensation survey techniques, of performance appraisal systems.
	• Skill in writing job descriptions, in conducting job analysis interviews, in making group presentations, in performing statistical computations.
	• Ability to conduct meetings, to plan and prioritise work.
Work Orientation Factors	• The position may require upto 15 percent travel.
Age	• Preferably below 30 years.

Preparing a job specification is not always easy. Regarding the human resource requirements of a job, there is scope for disagreement. For a clerical job, one bank may demand high school education, another bank may demand the services of graduates or even post graduates. Differences may also crop up while stating an attribute as a 'desirable' or 'essential' qualification. To avoid further confusion as rightly pointed out by Mathis and Jackson, while "writing any job specification, it is important to list only those SKAs essential for job performance".

7.10.1 Characteristics of Job Specifications

Job specification relates to:

- ***Physical Characteristics:*** Includes health, strengths, endurance, age-range, body size, height, weight, vision, voice, poise eye, hand and foot coordination, motor coordination and colour discrimination.
- ***Psychological Characteristics:*** Includes such qualities as manual dexterity, mechanical aptitude, ingenuity, judgments, resourcefulness, analytical ability, mental concentration and alertness.
- ***Personal Characteristics:*** Include personal appearance, good and pleasing manners, emotional stability, aggressiveness or submissiveness, extroversion or introversion, leadership, initiative, drive, skill in dealing with others, unusual sensory qualities of sight, smell, hearing, adaptability, conversational ability, etc.
- ***Responsibilities:*** Includes supervision of others, responsibility for production, process and equipment, responsibility for safety of others, responsibility for generating confidence and trust, responsibility for preventing monetary loss.

- ***Other features of demographic nature:*** Includes age, sex, education, and experience and language ability.

The items to be included in job specification vary according to the nature of an organisation and the use to which they are put. However, items like age, sex, experience, skill, education and personality are invariably included in job specification.

7.10.2 From Job Analysis to Jobless World

Job enrichment means redefining in a way that increases the opportunities for workers, to experience building of responsibility, achievement, growth and recognition by doing the job well.

- Analysing the job together.
- Establishing client recognition.
- Vertical loading.
- Job-sharing.
- Flexible job doing pattern, etc.
- Open feedback channels.

Whether specialised, enlarged or enriched, workers skill generally likes to have specific job to do and the job require job descriptions. But in the emerging organisation today jobs are becoming more amorphous and more difficult to define. In other words, the trend is towards "do-jobbing in many modern organisations.

7.11 ROLE ANALYSIS

At operative levels, it is possible to write job descriptions that reflect what workers do while at work. At middle and higher management levels, a clear definition of expected and unexpected job-related behaviour is not possible. Certain aspects of a manager's job (e.g., whether to take decisions in the absence of clear cut information, how to react to situations where workers confront them on the shop floor, whether to hire a person related to the Managing Director, etc.) may defy clear conceptualisation. Job analysis, in such cases, may be woefully inadequate to uncover the subtle, informal ways of doing things. It fails to capture the behavioural expectations of various groups (unions, colleagues, superiors, subordinates, general public, etc.) that influence the actions of a job holder. Over a period of time, the roles to be played by a job holder may undergo a complete transformation. Identifying important job related behaviours that may lead to effective performance, under the circumstances, proves to be a difficult exercise.

Role analysis provides a satisfactory answer to this problem. A role is a set of expectations people have about the behaviour of person in a position. A position holder may perform three types of roles in day-to-day life; namely the expected role, the perceived role and the actual role. The expected role is what other people expect from a person. For example, a college teacher is expected by his role partners (principal, colleagues, students) to come to the college and teach properly. The perceived role is how the individual thinks he should behave to fulfil the expected role. The teacher may think that he may be able to complete the given course in about a month's time and it is a sheer waste of time to be in the college all through the year. The enacted role or the actual role is the way the person actually behaves in an organisation. The college teacher, giving shape to his thoughts, might visit campus only once a week to handle his classes!

Now look at the conflicts that surface when the expectations of role partners remain contradictory. Take the supervisor's job. As a part of the management team, he must have corresponding values and attitudes (oversee the work of workers; do not allow mistakes; punish the deviants, etc.). As a member from the workers' group, he should have their values and attitudes (carry the opinions of workers 'upstairs', redress grievances quickly, etc.). He is expected to wear both the hats gracefully. Such role conflicts occur because of divergent role expectations. To complicate issues further, job description of supervisory role could be dissimilar in two organisations. In one organisation supervisors may enjoy lot of freedom and in the other, their hands might be tied. The job description might be the same but the actual roles played by the supervisors in both cases might be totally different. Changes in management philosophy, industrial relations climate, corporate culture may also affect the roles to be played by job holders in a significant way. It is therefore necessary to supplement the job analysis process with the role analysis in order to have a clear picture of what the job actually demands.

Role analysis involves the following steps:

- First, the objectives of the department and its functions must be identified.
- Second, the role incumbent is asked to state his key performance areas and his understanding of the roles to be played by him.
- Third, other role partners (boss, subordinate, peers, etc.) are asked to state their expectations from the role incumbent.
- Finally, the incumbent's role is clarified and expressed in black and white (called role description) after integrating the diverse viewpoints expressed by various role partners.

Role analysis brings about greater clarity in roles. The role incumbent knows what he is supposed to do on the job, keeping the perceptions of others about his job in mind. Role clarity, in turn, leads to improved performance on the job.

7.12 JOB ANALYSIS IN A 'JOBLESS' WORLD

Over the past few years, the concept of job has been changing quite dramatically. Employees do not like standardised, routinised operations. They do not like supervisors overseeing their work from close quarters. They want to be consulted on important aspects affecting their work. They want the work to be more meaningful, challenging and interesting. They like to work on jobs with "stretch, pull and challenge". So the concept of a job having well defined, clearly-delineated set of responsibilities is being increasingly questioned by present-day employees who are more knowledgeable and demanding.

Box 7.4: A Close Look at the Jobs Inside India's Best Workplaces

Sasken Communication Technologies: Employees enjoy considerable freedom to think and innovate and work in their own style. There is absolutely no monitoring of anybody. There are no attendance registers and there is no limit on sick leaves. Every employee is trusted and management is transparent. There is no perk that CEO Rajiv Mody enjoys that a junior employee does not.

Hughes Software Systems: HSS makes sure that all its employees get interesting breaks-these may take the shape of personality development programmes, cricket matches, literature clubs, or adventure activities. One of the employees even commented "If I don't like my boss, I can change my section".

Monsanto India: Monsanto India is a flat organisation (three to four levels). Even these levels are often cut short through an open culture. Everyone sits in an open office. The workstations are the same size. The travel allowances are the same so are the refreshments

Contd...

of course it sets stiff targets for employees, but trains them with a rare rigour so that they get a fair shot at those. People identified as future leaders are rolled over challenging positions.

Cadbury India: Fun is serious business at Cadbury India. The HR manager's statement sums up the company's philosophy: "We believe that the day you stop enjoying work is the day you stop contributing. We make people stretch: but we make them stretch with a smile". The company firmly believes that a smile a day keeps the market blues away.

Philips Software Centre: The company's office in Bangalore, employees could have all the comforts in the world: a variety of cuisines, a creche, a gymnasium, bunker beds for naps, gym instructor, doctor, psychological counsellor, a dietician. It is a whole new world of work, play, study and rest. Not surprisingly, senior executives remain glued to their seats even after office hours. The company had to come out with an order recently stating that nobody should stay in the office after 9 p.m. without sufficient reason!

Certain techniques that have helped in redefining jobs in this manner may be worth mentioning here:

- ***Flatter Organisations:*** Most progressive organisations have opted in favour of trimming the 'flab' at the top level, reducing the traditional pyramidical structures to barely three or four levels. As the remaining managers are left with more people reporting to them, they can supervise them less, so the jobs of subordinates end up bigger in terms of both breadth and depth of responsibilities.
- ***Work Teams:*** Yesterday's jobs were dominated by the rigidity associated with them. Workers performed the same tasks daily. Now the situation is different. Work itself is increasingly organised around teams and processes rather than around specialised functions. Cross-functional, self-directed teams handle different jobs at different points of time. Individuals will work with other workers for a specified period of time and then take up another project. The project can be in the organisation as well as outside it. Workers will perform their duties as members of project teams, not necessarily as members of a particular department within the organisation.
- ***Boundaryless Organisation:*** In a boundaryless organisation, the boundaries that typically separate organisational functions (production, marketing, finance, etc.) and hierarchical levels are reduced and made more permeable. Cross-functional teams are created and used widely. Employees are encouraged to get rid of "It is not my job" kind of attitudes. The focus, instead, is put on defining the job in a flexible way, keeping the best interests of the organisation in the background.
- ***Re-engineering:*** Re-engineering brings about a radical, quantum change in an organisation. It requires organisational members to rethink what work should be done, how it is to be done and how to best implement these decisions. Re-engineering is achieved in several ways:
    - Specialised jobs are combined and enlarged.
    - Each person's job is made more interesting and challenging. Supervisory checks are reduced. Employees are allowed to oversee their own work.
    - Workers are made collectively responsible for overall results rather than individually responsible for just their own tasks.
    - The primary focus is on the customer and building an organisation structure that is production friendly. Workers are empowered to use more decision-making authority while carrying out work in small teams.

7.13 CONCEPT OF JOB DESIGN

Job design is defined 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.

It integrates work content (tasks, functions, relationships), the rewards (extrinsic and intrinsic) and the qualification required (skills, knowledge, abilities) for each job in a way that meets the needs of employees and the organisation.

Job design follows job analysis, i.e., it is the next step after job analysis. It aims at outlining and organising tasks, duties and responsibilities into a single unit of work for the achievement of certain objectives. It also outlines the methods and relationships that are essential for the success of a certain job. In simpler terms, it refers to the what, how much, how many and the order of the tasks for a job/s.

Job design essentially involves integrating job responsibilities or content and certain qualifications that are required to perform the same. It outlines the job responsibilities very clearly and also helps in attracting the right candidates to the right job. Further, it also makes the job look interesting and specialised.

Two important goals of job design are:

1. To meet the organisational requirements such as higher productivity, operational efficiency, quality of product/service.
2. To satisfy the needs of the individual employees like interests, challenge, achievement or accomplishment.

Job design also gives information about the qualifications required for doing the job and the reward (financial and non-financial benefits) for doing the job. Job design is mostly done for managers' jobs. While designing the job, the needs of the organisation and the needs of the individual manager must be balanced. Needs of the organisation include high productivity, quality of work, etc. Needs of individual managers include job satisfaction. That is, they want the job to be interesting and challenging. Jobs must not be made highly specialised because they lead to boredom.

There are various steps involved in job design that follow a logical sequence, those that were mentioned earlier on. The sequence is as follows:

- What tasks are required to be done or what tasks is part of the job?
- How are the tasks performed?
- What amount of tasks are required to be done?
- What is the sequence of performing these tasks?

All these questions are aimed at arriving upon a clear definition of a specific job and thereby make it less risky for the one performing the same. A well-defined job encourages feeling of achievement among the employees and a sense of high self-esteem.

The whole process of job design is aimed to address various problems within the organisational setup, those that pertain to ones description of a job and the associated relationships. More specifically the following areas are fine-tuned:

- Checking the work overload.
- Checking upon the work under load.

- Ensuring tasks are not repetitive in nature.
- Ensuring that employees do not remain isolated.
- Defining working hours clearly.
- Defining the work processes clearly.

7.13.1 Factors Affecting Job Design

The guidelines influencing or factors affecting job design are depicted below:

- *Proper Scope of Job:* The scope of the job should be proper. If the scope is narrow (less), then the job will not be challenging. It will not give an opportunity for development. The manager will not get satisfaction after completing an easy job. If the scope of the job is very wide, then the manager will not be able to handle it properly. This will cause stress, frustration and loss of control. Therefore, scope of the job must be balanced and proper.
- *Full-time Challenge of the Job:* The job should be so challenging that it takes up the full-time and effort of the manager. So, the service of the manager must be fully utilised. If not, the manager will have a lot of free time. He will use this free time to interfere in the work of his subordinates. This will cause problems and conflicts because subordinates do not like unnecessary interference from their superiors.
- *Managerial Skills:* The skills of the manager should be considered before designing his job. All managers do not have equal skills. So jobs should be designed after considering the skills of the manager. So, a manager having a high level of skill should be given very challenging jobs while a manager having a low level of skill should be given fewer challenging jobs. Jobs must be made flexible so that it can be changed according to the skills of the manager.
- *Organisation's Requirements:* Jobs must be designed according to the requirements of the organisation. We cannot use the same job design for all organisations.
- *Individual Likes and Dislikes:* People have different likes and dislikes. Some people like to work alone while some people prefer to work in groups. Some people want to do only planning and decision making while other people like to implement these plans and decision. So, individual likes and dislikes must be considered while designing the job.
- *Organisational Structure:* Organisational structure also affects the job design. Individual jobs must fit into the organisation's structure.
- *Technology:* The level of technology used by the organisation also affects the job design. An organisation having a high level of technology will have different job designs compared to an organisation having a low level of technology.

7.13.2 Benefits of Job Design

The following are the benefits of a good job design:

- *Employee Input:* A good job design enables a good job feedback. Employees have the option to vary tasks as per their personal and social needs, habits and circumstances in the workplace.
- *Employee Training:* Training is an integral part of job design. Contrary to the philosophy of "leave them alone" job design lays due emphasis on training people so that are well aware of what their job demands and how it is to be done.

- ***Work/Rest Schedules:*** Job design offers good work and rest schedule by clearly defining the number of hours an individual has to spend in his/her job.
- ***Adjustments:*** A good job designs allows for adjustments for physically demanding jobs by minimising the energy spent on doing the job and by aligning the manpower requirements for the same.

Job design is a continuous and ever evolving process that is aimed at helping employees make adjustments with the changes in the workplace. The end goal is reducing dissatisfaction, enhancing motivation and employee engagement at the workplace.

7.14 TECHNIQUES FOR DESIGNING JOBS

Basically, there are four techniques used in the designing of jobs. These include job simplification, job enlargement, job enrichment and job rotation.

7.14.1 Job Simplification

Job simplification is a design method whereby jobs are divided into smaller components and subsequently assigned to workers as whole jobs. Job simplification is a design method whereby jobs are divided into smaller components and subsequently assigned to workers as whole jobs. Simplification of work requires that jobs should be broken down into their smallest units and then analysed. Each resulting sub unit typically consists of relatively few operations. These sub units are then assigned to the workers as their total jobs. There appears to be two major advantages in using job simplification. Firstly, since the job requires very little training, they can be completed by less costly unskilled labour. Secondly, job speed increases because each worker is performing only a small portion of the previously large job and thus is able to master a smaller, less complicated job unit.

Many fast food restaurants such as McDonald's, Burger King and Nirula's use simplification because employees can learn tasks rapidly. Short work cycles allow task performance with little or no mental effort and low skilled and low paid employees can be hired and trained easily.

On the negative side, job simplification results in workers experiencing boredom, frustration, alienation, lack of motivation and low job satisfaction. This, in turn, leads to lower productivity and increased cost.

7.14.2 Job Enlargement

It involves expanding the number of task or duties assigned to a given job. It is opposite of work simplification. Adding more tasks or duties to a job does not mean that new skills and abilities are needed to perform. Enlarged job requires longer training period because there are more tasks to be learned.

There is horizontal expansion. It is "adding zero to zero". The employees generally resist it. It is said to contribute to employee motivation, however no valid claims have been made so far. Job enlargement programmes would be successful only if workers are more satisfied with jobs which have a longer scope. It increases job scope; that is, it increases the number of different operations required in a job and the frequency with which the job cycle is repeated. By increasing the number of tasks an individual performs, job enlargement increases the job scope, or job diversity. Instead of only sorting the incoming mail by the department for instance a mail sorter's job could be enlarged to include physically delivering the mail to the various departments or running outgoing letters through the postage meter.

Efforts at job enlargement have met with less than enthusiastic results. As one employee who experienced such a redesign on his job remarked 'before I had one lousy job, now, through enlargement I have three'. So while job enlargement attacks the lack of diversity in overspecialised jobs, it has done little to provide challenge or meaningfulness to a worker's activities.

Benefits of job enlargement are as follows:

- Task variety
- Meaningful work modules
- Full ability utilisation
- Worker paced control
- Meaningful performance feedback

Disadvantages of job enlargement are as follows:

- High training costs
- Redesigning existing work system required
- Productivity may not increase necessarily
- Workload increases
- Unions demand pay–hike
- Jobs may still remain boring and routine

7.14.3 Job Rotation

Job rotation refers to the movement of employees from one job to another. Jobs themselves are not actually changed, only the employees are rotated among various jobs. An employee who works on a routine job moves to work on another job for some hours/days/months and return back to the first job. This measure relieves the employee from the boredom and monotony, improves the employee's skills regarding various jobs and prepares worker's self-image and provides personal growth. It implies movement of employees from job to job. Jobs remain unchanged. With job rotation, a given employee performs different jobs but more or less jobs of the same nature.

On the positive side, it may be said that job rotation is likely to increase intrinsic reward potential of a job because of different skills and abilities needed to perform it. The organisation also benefits because workers become competent in several jobs, rather than only one. Knowing a variety of job improves the workers' self-image, provides personal growth, and makes the worker more valuable to the organisation.

When incumbents become bore of routine jobs, job rotation is an answer to it. Here jobs remain unchanged, but the incumbents shift from one job to another. Thus, it increases the intrinsic reward potential of a job because of different skills and abilities needed to perform it. Workers become more competent in several jobs, know variety of jobs and improve the self-image, personal growth. Further the worker becomes more valuable to the organisation. Periodic job changes can improve inter-departmental cooperation. On the negative side, it may not be much enthusiastic or efficiency may not be more. Besides jobs may not improve the relationships between task, while activities and objectives remain unchanged. Further training costs also rise and it can also de-motivate intelligent and ambitious trainees who seek specific responsibilities in their chosen specialties.

On the negative side, it may be stated that job rotation may not have much impact on employee enthusiasm and efficiency. According to Hertzberg, job rotation is merely "substituting one zero for another zero". Employees feel alienated when they are rotated from one job to another.

7.14.4 Job Enrichment

Job enrichment as currently practiced in the industry is a direct outgrowth of Herzberg's Two Factor Theory of motivation. It is, therefore, based on the assumption that in order to motivate personnel the job itself must provide opportunities for achievement recognition. Job enrichment is improvisation of both tasks efficiency and human satisfaction by building into people's jobs, quite specifically, greater scope for personal achievement and recognition, more challenging and responsible work and more opportunity for individual advancement and growth. An enriched job will have more responsibility, more autonomy (vertical enrichment), and more variety of tasks (horizontal enrichment) and more growth opportunities. The employee does more planning and controlling with less supervision but more self-evaluation. In other words, transferring some of the supervisor's tasks to the employee and making his job enriched.

The basic idea is to restore to jobs the elements of interest that were taken away under intensive specialisation. Job enrichment tries to embellish the job with factors that Herzberg characterised as motivators: achievement, recognition, increased responsibilities, opportunities for growth, advancement and increased competence. There is an attempt to build jobs into a higher sense of challenge and achievement though vertical job loading.

Vertical job loading entails redesigning jobs to give:

- Greater responsibility,
- Greater autonomy,
- More immediate feedback to the individual or group. This might include transferring some of the superior's activities to subordinates.

Horizontal job loading might be applied by having workers perform some of the steps that precede and follow them in the work flow. A single operator might fit on all four fenders, be responsible for the car's entire front end, or do both rough and finished painting.

Job enrichment has four unique aspects:

- It changes the basic relationship between employees and their work. Interesting and challenging work as studies have proved can be a source of employee satisfaction.
- It changes employees' behaviour in ways that gradually lead to more positive attitudes about the organisation and a better self-image. Feeling of autonomy and personal freedom help employees view their jobs in a favourable way.
- It helps the employer to bring about organisational changes easily securing employees' cooperation and commitment.
- Job enrichment can humanize an organisation. Individuals can experience the psychological lift that comes from developing new competencies and doing a job well. Individuals are encouraged to grow and push themselves.

Objectives of Job Enrichment

The aim of job enrichment is to maximise the interest and challenge of work by providing employees with jobs having the following characteristics:

- They are complete piece of work in the sense that the workers can identify a series of tasks or activities that end in a recognisable and definable product or service.
- They provide employees with as much variety, decision-making responsibility and control as possible in carrying out the work.
- They provide direct and quick feedback through the work itself on how well the employees are doing their jobs.

It seeks to improve both task efficiency and human satisfaction by giving more challenging and responsible work and opportunity for individual advancement and growth. An enriched job will have more responsibility and autonomy (vertical enrichment), more variety of tasks (horizontal enrichment) and more growth opportunities.

Techniques of Job Enrichment

Techniques of job enrichment are as follows:

- Increasing the responsibility of the activity.
- Providing wider scope, more sequence and increased pace of the work.
- Providing the freedom of work by minimising controls when the employees are clearly accountable for attaining defined goals.
- Giving a natural unit of work either to an employee or group of employees.
- Allowing the employees to set their own standards or targets.
- Introducing new, difficult, creative tasks to the employees.
- Encouraging employee participation in planning, innovations and creations.

Steps in Job Enrichment

Steps in job enrichment are as follows:

- Selecting those jobs which permit close relation between motivation and job performance.
- Introducing on a pilot scheme basis.
- Starting with the assumption that these jobs can be changed.
- Brainstorming a list of changes that may enrich the jobs.
- Concentrating on motivational factors such as achievement, responsibility, self-control.
- Trying to change the content of the job rather than changing the employees from their jobs.
- Providing adequate training, guidance, encouragement and the help.
- Introducing with care as job enrichment programmes may be resisted by employees.
- Preparing specific programmes for each project and ensure the control information to monitor the performance.

Benefits of Job Enrichment

Benefits of job enrichment are as follows:

- It benefits employee and organisation in terms of increased motivation, performance, satisfaction, job involvement and reduced absenteeism.

- Additional features in job meet certain psychological needs of jobholders due to skill variety, identity, significance of job, etc.
- It also adds to employee self-esteem and self-control.
- Job enrichment gives status to jobholder and acts as a strong satisfier in one's life.
- Job enrichment stimulates improvements in other areas of organisation.
- Empowerment is a by-product of job enrichment. It means passing on more authority and responsibility.

Demerits of Job Enrichment

Demerits of job enrichment are as follows:

- Lazy employees may not be able to take additional responsibilities and power. It won't fetch the desired results for an employee who is not attentive towards his job.
- Unions' resistance, increased cost of design and implementation and limited research on long term effect of job enrichment are some of the other demerits.
- Job enrichment itself might not be a great motivator since it is job-intrinsic factor. As per the two-factor motivation theory, job enrichment is not enough. It should be preceded by hygienic factors, etc.
- Job enrichment assumes that workers want more responsibilities and those workers who are motivated by less responsibility, job enrichment surely de-motivates them.
- Workers participation may affect the enrichment process itself.

7.15 Contemporary Issues in Job Design

As you know, job design is an orderly organisation of job-related tasks, duties, functions and responsibilities. It is a constant process of integration of content associated with job so as to accomplish particular objectives. The process plays a crucial role as it influences the efficiency of employees and organisations. However, a number of issues already existing have emerged in recent times while designing the jobs in organisations. These are alternative work patterns, which are equally effective in handling organisation's functions.

Work from Home/Telecommuting: Work from home or telecommuting is deemed to be the best option of working from the real office. The concept of virtual office is becoming popular because of its easy and convenient nature. With the use of computer networks, internet connection, telephones and fax machines, employees can communicate and execute the job from home. There is no need to go to office every day and employees can work at the comfort of their homes.

Although there are many advantages associated with this working style, but it has many disadvantages too. It doesn't allow employees to communicate with other employees and establish relationships with them as they have to work from home. People employed like this lose creativity as they only deal with machines the whole day. Besides, it does not allow them to sharpen their skills, which can prove to be a great limitation in their way.

Job Sharing: Job sharing is the second most preferable alternate of conventional working styles in which two or more people share the responsibilities of a full time job. They divide the responsibilities, tasks and compensation accordingly between them. Mostly women who have family and children to look after or expecting mothers on maternity leave who want to carry on their job use this option. Nowadays, many organisations do not mind letting two or more individuals share a job.

Alternative Work-patterns: Nowadays, various companies permit their employees to work on alternate months or seasons. This concept is not very common in India but is widely popular in European and American work environments. The employees can work for two to three days continuously and then can have a break. As per the latest concept, employees can work for fixed number of hours and then can relax and attend to their personal work or needs. In alternative work patterns, hours vary or differ from the standard work hours of the organisation. Alternative work patterns may involve non-standard work week employment, job sharing, part-time employment, flexible time, or other patterns that may be developed.

Kinds of Alternative Work Patterns

Various kinds of alternative work patterns are given below:

- ***Flexi-working Hours:*** Generally a department fixes standard hours of operation (for example, 7:45 a.m. to 4:30 p.m.) in a work week for its employees. Nowadays, organisations let their employees work according to the timings that suit them best. Flex-time allows individual employees to change the standard hours on a regularly basis. In such cases, departments set up core hour's status, for example, a department may want an employee to be present between 9 and 11:30 in the morning and between 1 and 3 in the evening with the aim of meeting the requirements of the unit. These hours are called core hours. Employees can change their work schedule regularly, if they work the requisite number of hours per week.

  Generally, there are three-four working schedules and employees can choose any one of them according to their availability. This is a good option for those individuals who are studying or have other engagements during other parts of the day or specific hours of the day. Unlike work from home, flexi-timings give employees a chance to interact with other employees.

- ***Non-standard Work Week:*** A non-standard work week plan allows a full-time employee to finish the basic work requirement in 40 hours per week in other than five eight-hour days. Unlike flex-time, hours are standardised by a contract between the employee and manager. Any variation in the confirmed work hours is adjusted by the leave system. For example, a four ten-hour days in a work week.

- ***Permanent Part-time:*** Permanent part-time employees work for a minimum 600 hours and less than 2088 hours annually.

- ***Variable Hours:*** Unlike flex-time, variable hours are fixed schedules which diverge from 7:45 a.m. to 4:30 p.m. work day. The employee and the manager mutually decide a fixed starting and finish time. The employee may also appeal to adjust the lunch break from the standard 45 minutes. Unlike a flex-time employee, employee working on a variable schedule is not allowed to change the pre-decided starting and finish time.

- ***Job Sharing:*** Job sharing is an arrangement in which two or more people divide the work of one full-time position sharing the same duties and responsibilities.

- ***Technostress:*** Technostress is a modern problem of adaptation caused by incompetence in dealing with the latest computer technologies in a healthy manner. It demonstrates itself in two separate but related ways – (1) in the struggle to accept computer technology, and (2) in the more specialised form of over identification with computer technology.

According to Tarafdar, Tu, Ragu-Nathan, and Ragu-Nathan (2007), technostress is explained as a problem of adaptation as a consequence of an individual's failure to cope with or to get used to Information and Communication Technologies (ICT). According to Davis-Milis (1998), technostress is identified as a condition where a person has to adapt to latest technology especially when there is lack of support, equipment, or the technology itself. On the other hand, Clark and Kalin said that the actual definition of technostress is "resistance to change". They stated that technology is not at fault or problem as computer and technologies are mere tools and stress is a natural human emotion. Hence, they proposed in order to manage technostress, change has to be managed and not the technology.

In addition, they have recognised five components of technostress, also known as technostress creators, which are given below:

- ***Techno-complexity:*** It is a situation where ICT users feel that their skills are incompetent due to the difficulty related to ICT. As a result, they are compelled to spend time and energy to study and understand several features of ICT.
- ***Techno-overload:*** It is a situation where ICT users are forced to work at a fast pace and for a longer time.
- ***Techno-uncertainty:*** It is a situation where ICT users feel unsure and unsettled because of the ever changing and upgrading nature of ICT.
- ***Techno-invasion:*** It is a situation where ICT users think that they can be reached at any time. This has resulted in blurring a line differentiating between personal and work related contexts.
- ***Techno-insecurity:*** It is a situation where ICT users feel frightened that they might lose their jobs and would be replaced either by the new ICT or by people who are better in ICT as compared to them.
- ***Task Revision:*** Task revision is a modification of present work design by adding or reducing new job duties and responsibilities to a particular job. Task revision signifies a steady process of correcting or revising a defective task-based activity or procedure. This has a harmful effect to the whole working environment or its distinct parts within an organisation. It is a method of re-examining and re-thinking about the working environment to determine faulty or dysfunctional activities and then develop a corrective plan for revision. Task revision is an excellent mechanism to manage work performance. When a manager effectively gets rid of faulty procedures and revises task-based activities, he/she decreases the likelihood of occurring activity dysfunction and enhances individual performance of employees.

The process of revising tasks or task-based activities can be performed while following the steps given below:

1. ***Examine:*** A detailed examination of activities is conducted to ascertain defective or dysfunctional activities.
2. ***Isolate:*** The defective activities are separated from the rest activities of the working environment to safeguard continuity of the working procedure.
3. ***Revise:*** A corrective plan of actions is devised and used to revise the defective activities and eliminate dysfunctions.

Check Your Progress

Fill in the blanks:

1. __________ is a systematic investigation of the tasks, duties and responsibilities necessary to do a job.
2. _________ is a method in which a researcher observes and records behaviour / events / activities / tasks / duties while something is happening.
3. __________ analysis is used to describe manual and repetitive production jobs, such as factory or assembly-line jobs.
4. Threshold Traits Analysis System (TTAS model) is a method of job analysis, was developed in 1970 by __________.
5. __________ are written records of job duties and responsibilities and they provide a factual basis for job evaluation.
6. _________ tells what kind of person to recruit and for what qualities that person should be tested.

7.16 LET US SUM UP

- For HRM in an organisation, effective information and documentation on job analysis, job description, job specification and job evaluation are important prerequisites.
- All these processes help in identifying job requirements and suitably describing the job and job-families, skill sets skill mapping and developing skill inventories in an organisation. In HRM, these are critical inputs to decide about manpower requirement to meet present and future needs.
- Job information is one essential input for effective HRP. It not only facilitates job evaluation for compensation designing but also helps in disseminating information to employees about their duties and responsibilities. Imperfect knowledge of employees about their duties and responsibilities due to inadequate job information also affect their performance and overall organisational productivity. Disseminating job information in the 'Letter of Appointment' may not be adequate. Proper documentation and communication in induction training is the right approach.
- Job analysis is the process of job-related data. The data collected will be useful for preparing job description and job specification. Job description lists job title, duties, machines and equipment involved, working conditions surrounding a job and the like. Job specification lists the human qualifications and qualities necessary to do the job. Job evaluation is the process of determining the worth of one job in relation to that of another without regard to the personalities. Job design follows job analysis i.e., it is the next step after job analysis.
- The job design plays a vital role as it affects the productivity of employees and organisations. The concept of virtual office is gaining more and more popularity because of ease and convenience associated with it. By using computer networks, fax machines, telephones and internet connection, employees can communicate and perform the job from home.

7.17 LESSON END ACTIVITY

Are job descriptions really necessary? What would happen if a company decided not to use any job descriptions at all?

7.18 KEYWORDS

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: Job analysis is the process of studying and collecting information relating to the operations and responsibility of a specific job.

Direct Observation: Direct observation is a method in which a researcher observes and records behaviour / events / activities / tasks / duties while something is happening.

Work Methods Analysis: Work methods analysis is used to describe manual and repetitive production jobs, such as factory or assembly-line jobs.

Critical Incident: It is an event that has a significant effect, either positive or negative, on task performance or user satisfaction, thus affecting usability.

MOSAIC Model: Multipurpose Occupational Systems Analysis Inventory-Closed Ended (MOSAIC model) is a job analysis method used to collect information from incumbents and supervisors on many occupations for a wide range of HRM functions.

Fleishman Job Analysis System (FJAS model): FJAS model is a system to describe jobs from the point of view of the necessary capacities.

Task Inventory: A task inventory is a list of the discrete activities that make up a specific job in a specific organisation.

Competency: Competency is knowledge, skill, ability, or characteristic associated with high performance on a job.

Technical Conference: A technical conference is a time-consuming method to collect comprehensive data regarding a job that reflects the expertise and experience of subject matter experts.

Job Descriptions: These are written records of job duties and responsibilities and they provide a factual basis for job evaluation.

Job Specification: Job specification tells what kind of person to recruit and for what qualities that person should be tested.

Job Evaluation: It is the process of determining the worth of one job in relation to that of another without regard to the personalities.

Job Design: Job design is defined 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.

Job Simplification: Job simplification is a design method whereby jobs are divided into smaller components and subsequently assigned to workers as whole jobs.

Job Enlargement: It involves expanding the number of task or duties assigned to a given job. It is opposite of work simplification.

Job Rotation: Job rotation refers to the movement of employees from one job to another.

7.19 QUESTIONS FOR DISCUSSION

1. What do you mean by job analysis? Explain the process of job analysis.
2. Explain various methods of collecting information for job analysis.
3. Define job description. Explain the uses of job description.
4. What are the purposes of job evaluation? Discuss the steps involved in job evaluation.
5. Discuss different types of job evaluation technique. Which type do you consider more suitable and why?
6. Highlight the factors affecting job design.
7. What are the four techniques used in the designing of jobs?
8. What aspects of a job are analysed?
9. Describe the steps involved in the job analysis process.
10. Explain the importance of job analysis.
11. Discuss the components of job description.
12. Explain various kinds of alternative work patterns.
13. Distinguish between job description and job specification. What precautions should be taken while preparing them?
14. Why is a competency-based job analysis more difficult to conduct than the traditional task-based approach?
15. 'Although systematic in nature, a job description is still at best a subjective result of a job analyses. Why or why not? Discuss.

Check Your Progress: Answers

1. Job analysis
2. Direct observation
3. Work methods
4. Felix Lopez
5. Job descriptions
6. Job specification

7.20 REFERENCE/ SUGGESTED READINGS

Brannick, M. T., Levine, E. L., & Morgeson, F. P. (2020). ***Job and work analysis: Methods, research, and applications for human resource management*** **(3rd ed.). SAGE Publications.**

Dessler, G. (2022). ***Human resource management*** **(17th ed.). Pearson Education.**

Gupta, C. B. (2019). ***Job analysis and job design: A comprehensive study.*** **Journal of Human Resources Management, 15 (2), 67-84.**

Hackman, J. R., & Oldham, G. R. (2021). ***Job design and employee motivation: Revisiting the job characteristics model.*** **Organizational Behavior Review, 17(1), 32-47.**

Jain, A., & Singh, P. (2020). ***Techniques for designing jobs: A review of job rotation, job enlargement, and job enrichment.*** **Journal of Organizational Development, 14(3), 45-61.**

Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2021). ***Fundamentals of human resource management*** **(9th ed.). McGraw-Hill Education.**

Torrington, D., Hall, L., & Taylor, S. (2022). ***Human resource management*** **(11th ed.). Pearson Education.**

BLOCK III

UNIT 8

TRAINING AND DEVELOPMENT

CONTENTS

8.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Describe the concept of training
- Explain the philosophy of training
- Discuss the types and systematic approaches of training
- Understand the on-the-job and off-the-job training methods
- Explore the purpose, benefits and resistance of training

8.1 INTRODUCTION

The game of economic competition has new rules. Firms should be fast and responsive. This requires responding to customers' needs for quality, variety, customisation, convenience and timeliness. Meeting these new standards requires a workforce that is technically trained in all respects. It requires people who are capable of analysing and solving job related problems, working cooperatively in teams and 'changing hats' and shifting from job to job as well. Training has increased in importance in today's environment where jobs are complex and change rapidly. To survive and flourish in the present day corporate-jungle, companies should invest time and money in upgrading the knowledge and skills of their employees constantly.

8.2 MEANING OF TRAINING AND DEVELOPMENT

Training often has been referred to as teaching specific skills and behaviour. Examples of training are learning to fire a rifle, to shoot foul shots in basketball and to type. It is usually reserved for people who have to be brought up to the performing level in some specific skills. The skills are almost always behavioural as distinct from conceptual or intellectual.

After employees have been selected for various positions in an organisation, training them for the specific tasks to which they have been assigned assumes great importance. It is true in many organisations that before an employee is fitted into a harmonious working relationship with other employees, he is given adequate training. Training is the act of increasing the knowledge and skills of an employee for performing a particular job. The major outcome of training is learning. Training enables an employee to do his present job more efficiently and prepare himself for a higher level job.

Training often has been referred to as teaching specific skills and behaviour. Examples of training are learning to fire a rifle, to shoot foul shots in basketball and to type. It is usually reserved for people who have to be brought up to performing level in some specific skills. The skills are almost always behavioural as distinct from conceptual or intellectual.

Development, in contrast, is considered to be more general than training and more oriented to individual needs in addition to organisational needs and it is most often aimed toward management people. Usually, the intent of development is to provide knowledge and understanding that will enable people to carry out non-technical organisational functions more effectively, such as problem solving, decision-making and relating to people.

Thus, training is meant for operatives and development is meant for managers. Training tries to improve a specific skill relating to a job whereas development aims at improving the total personality of an individual. Training is a one-shot deal; whereas development is an ongoing, continuous process. The scope of training is on individual employees, whereas the scope of development is on the entire work group or the organisation. Training is mostly the result of initiatives taken by management. It is the result of some outside motivation. Development is mostly the result of internal motivation. Training seeks to meet the current requirements of the job and the individual; whereas development aims at meeting the future needs of the job and the individual. In other words, training is a reactive process whereas development is a proactive process. Development is future oriented training, focusing on the personal growth of the employee.

Therefore, the role of training and development is ensuring that the organisation has people with the correct mix of attributes, through providing appropriate learning opportunities, motivating people to learn and enabling them to perform the highest level of quality and service. The particular objectives of training are to develop the competence of employees and improve their performance, help people grow within the organisation in order that human resource plans can be met within the organisation.

8.2.1 Definitions of Training

It is important to understand a few noteworthy definitions of training are as follows:

1. *"Training is a process of changing employee behaviour and/or attitudes through some type of guided experience".*

   – Robert Kreitner

2. *"Training is a set of activities that provides the opportunity to acquire and improve job-related skills".*

   – Schermerhorn, Hunt and Osborn

3. *"Training is the process of acquiring the skills necessary to do the job".*

   – Robert N. Lussier

4. *"Training and development is the process of developing expertise for the purpose of improving performance".*

   – Swanson and Holton

5. *"Training is the systematic modification of behaviour through learning which takes place as an outcome of education, instruction, development and planned experience".*

   – Michael Armstrong

8.2.2 Features of Training

You must keep in mind the following features of training:

- Increases knowledge and skills for doing a particular job; Training bridges the gap between job needs and employee skills, knowledge and behaviours.
- Focuses attention on the current job; It is job specific and provides employees with specific skills. Training helps employees' correct deficiencies in their performance.
- Concentrates on individual employees; Training lays emphasis on changing what employees know, how they work, their attitude towards their work or their interactions with their co-workers or supervisors.

- Tends to be more narrowly focused and oriented toward short-term performance concerns. It tries to fix current skill deficit. The goal of training is a fairly quick improvement in workers' performance.

8.2.3 Objectives of Training

It will be essential for you to understand the objectives of training. The major objectives of training include:

- Employee specification may not exactly match with the job requirements of the organisation. Training is needed to fill up these gaps to **match** the needs of the organisation;
- Creating a **pool of readily available** and adequate replacements for personnel who may leave or move up in the organisation;
- Enhancing the organisation's ability to **adopt and use** advances in technology because of a sufficiently knowledgeable staff;
- With increased automation, mechanisation and newer organisation structures and designs creates complexity in co-ordination, adaptability and integration of activities within the organisation to meet the demands of growth, diversification and expansion. Training equips people to **handle organisational changes** to implement effectiveness programmes;
- Building a more **efficient, effective and highly motivated team**, which enhances the organisation's competitive position and improves employee morale;
- Ensuring **adequate human resources** for expansion into new programmes; and
- With growing complexity of jobs, increasing professionalism of management, growing uncertainties, growing aspirations, global competition, etc. has resulted in fast internal mobility of the employees, which in turn requires training to prepare employees for **higher-level jobs**.

8.2.4 Areas of Training

The areas of training in which training is offered may be classified into the following categories:

- ***Knowledge:*** Here the trainee learns about a set of rules and regulations about the job, the staff and the products or services offered by the company. The aim is to make the new employee fully aware of what goes on inside and outside the company.
- ***Technical Skills:*** The employee is taught a specific skill (e.g., operating a machine, handling computer, etc.) so that he can acquire that skill and contribute meaningfully.
- ***Social Skills:*** The employee is made to learn about himself and others, and to develop a right mental attitude towards the job, colleagues and the company. The principal focus is on teaching the employee how to be a team member and get ahead.
- ***Techniques:*** This involves the application of knowledge and skill to various on-the-job situations.

  In addition to improving the skills and knowledge of employees, training aims at moulding employee attitudes: When administered properly, a training programme will go a long way in obtaining employee loyalty, support and commitment to company activities.

8.2.5 Major Objectives of Training and Development Division in an Organisation

The principal objective of training and development division is to make sure the availability of a skilled and willing workforce to an organisation. In addition to that, there are four other objectives: Individual, Organisational, Functional and Societal.

- ***Individual Objectives:*** Help employees in achieving their personal goals, which in turn enhance the individual contribution to the organisation.
- ***Organisational Objectives:*** Assist the organisation with its primary objective by bringing individual effectiveness.
- ***Functional Objectives:*** Maintain the department's contribution at a level suitable to the organisation's needs.
- ***Societal Objectives:*** Ensure that an organisation is ethically and socially responsible to the needs and challenges of the society.

8.3 DISTINCTIONS BETWEEN TRAINING AND DEVELOPMENT

You must note that training and development is essential to organisations that seek to gain a competitive advantage through a highly skilled and flexible workforce, and are seen as a major element to high productivity and quality performance. A skilled workforce can increase productivity by producing a higher level of work with greater value. It can improve an organisation's operative flexibility as they will be easier to retrain due to their broad knowledge base of multi-skills. This allows management to be confident in using new technology and provide employers with progressive adjustment to change in production methods, produce requirement and technology. In today's competitive climate, efficient production, even of technically unsophisticated products, benefits from technically advanced machinery operated by a workforce with high level of skills, which in turn, is a pre-condition for successful selection of appropriate machinery and its efficient utilisation.

Development is considered to be more general than training and more oriented to individual needs in addition to organisational needs and it is most often aimed towards management people. There is more theory involved with such education and hence less concern with specific behaviour than is the case with training. Usually, the intent of development is to provide knowledge and understanding that will enable people to carry out non-technical organisational functions more effectively, such as problem solving, decision-making and relating to people.

Table 8.1: Distinctions between Training and Development

Learning Dimension	Training	Development
Meant for	Operatives	Executives
Focus	Current job	Current and future jobs
Scope	Individual employee	Work group or organisation
Goal	Fix current skill deficit	Prepare for future work demands
Initiated by	Management	The Individual
Content	Specific job related information	General Knowledge
Time-frame	Immediate	Long-term

Thus, training is meant for operatives and development is meant for managers. Training tries to improve a specific skill relating to a job whereas development aims at improving the total personality of an individual. Training is a one-shot deal; whereas development is an ongoing, continuous process. The scope of training is on individual employees, whereas the scope of development is on the entire work group or the organisation. Training is mostly the result of initiatives taken by management. It is the result of some outside motivation. Development is mostly the result of internal motivation. Training seeks to meet the current requirements of the job and the individual; whereas development aims at meeting the future needs of the job and the individual. In other words, training is a reactive process whereas development is a proactive process. Development is future oriented training, focusing on the personal growth of the employee.

8.4 IMPORTANCE OF TRAINING

Training offers innumerable benefits to both employees and employers. It makes the employee more productive and more useful to an organisation. The importance of training can be studied under the following headings:

Table 8.2: Importance of Training

Benefits to the business	Benefits to the business
Trained workers can work more efficiently.	Training makes an employee more useful to a firm. Hence, he will find employment more easily.
They use machines, tools, materials in a proper way. Wastage is thus eliminated to a large extent.	Training makes employees more efficient and effective. By combining materials, tools and equipment in a right way, they can produce more with minimum effort.
There will be fewer accidents. Training improves the knowledge of employees regarding the use of machines and equipment. Hence, trained workers need not be put under close supervision, as they know how to handle operations properly.	Training enables employees to secure promotions easily. They can realise their career goals comfortably.
Trained workers can show superior performance. They can turn out better performance. They can turn out better quality goods by putting the materials, tools and equipment to good use.	Training helps an employee to move from one organisation to another easily. He can be more mobile and pursue career goals actively. Employees can avoid mistakes, accidents on the job. They can handle jobs with confidence. They will be more satisfied on their jobs. Their morale would be high.
Training makes employees more loyal to an organisation. They will be less inclined to leave the unit where there are growth opportunities.	Thus, training can contribute to higher production, fewer mistakes, greater job satisfaction and lower labour turnover. Also, it can enable employees to cope with organisational, social and technological change. Effective training is an invaluable investment in the human resources of an organisation.

8.5 LEARNING PRINCIPLES: THE PHILOSOPHY OF TRAINING

This section emphasises on the learning principles of training. Training is essential for job success. It can lead to higher production, fewer mistakes, greater job satisfaction and lower turnover. These benefits accrue to both the trainee and the organisation, if managers understand the principles behind the training process. To this end, training efforts must invariably follow certain learning-oriented guidelines (Silverman; Goldstein; Gagne).

- ***Modelling:*** Modelling is simply copying someone else's behaviour. Passive class room learning does not leave any room for modelling. If we want to change people, it would be a good idea to have videotapes of people showing the desired behaviour. The selected model should provide the right kind of behaviour to be copied by others. A great deal of human behaviour is learned by modelling others. Children learn by modelling parents and older children, they are quite comfortable with the process by the time they grow up. As experts put it. "Managers tend to manage as they were managed"!

- ***Motivation:*** For learning to take place, intention to learn is important. When the employee is motivated, he pays attention to what is being said, done and presented. Motivation to learn is influenced by the answers to questions such as: How important is my job to me? How important is the information? Will learning help me progress in the company? etc. People learn more quickly when the material is important and relevant to them. Learning is usually quicker and long-lasting when the learner participates actively.

  Example: Most people never forget how to ride a bicycle because they took an active part in the learning process!

- ***Reinforcement:*** If behaviour is rewarded, it probably will be repeated. Positive reinforcement consists of rewarding desired behaviours. People avoid certain behaviours that invite criticism and punishment. A bank officer would want to do a post graduate course in finance, if it earns him increments and makes him eligible for further promotions. Both the external rewards (investments, praise) and the internal rewards (a feeling of pride and achievement) associated with desired behaviours compel subjects to learn properly.

  To be effective, the trainer must reward desired behaviours only. If he rewards poor performance, the results may be disastrous: good performers may quit in frustration, accidents may go up, productivity may suffer.

  He may or may not repeat the mistakes. The reactions may be mild or wild. Action taken to repeal a person from undesirable action is punishment. If administered properly, punishment may force the trainee to modify the undesired or incorrect behaviours.

- ***Feedback:*** People learn best if reinforcement is given as soon as possible after training. Every employee wants to know what is expected of him and how well he is doing. If he is off the track, somebody must put him back on the rails. The errors in such cases must be rectified immediately. The trainee after learning the right behaviour is motivated to do things in a 'right' way and earn the associated rewards. Positive feedback (showing the trainee the right way of doing things) is to be preferred to negative feedback (telling the trainee that he is not correct) when we want to change behaviour.

- ***Spaced Practice:*** Learning takes place easily if the practice sessions are spread over a period of time. New employees learn better if the orientation programme is spread over a two or three day period, instead of covering it all in one day. For memorising tasks, 'massed' practice is usually more effective. Imagine the way schools ask the kids to say the Lord's Prayer aloud. Can you memorise a long poem by learning only one line per day? You tend to forget the beginning of the poem by the time you reach the last stanza. For 'acquiring' skills as stated by Mathis and Jackson, spaced practice is usually the best. This incremental approach to skill acquisition minimises the physical fatigue that deters learning.

- ***Whole Learning:*** The concept of whole learning suggests that employees learn better if the job information is explained as an entire logical process, so that they can see how the various actions fit together into the 'big picture'. A broad overview of what the trainee would be doing on the job should be given top priority, if learning has to take place quickly. Research studies have also indicated that it is more efficient to practice a whole task all at once rather than trying to master the various components of the task at different intervals.

- *Active Practice:* 'Practice makes a man perfect': so said Bacon. To be a swimmer, you should plunge into water instead of simply reading about swimming or looking at films of the worlds' best swimmers. Learning is enhanced when trainees are provided ample opportunities to repeat the task. For maximum benefit, practice sessions should be distributed over time.

8.6 TYPES OF TRAINING

Training can include everything from teaching employees basic reading skills to conducting advanced courses in executive leadership. Here, we discuss four general skill categories – basic literacy, technical, interpersonal, and problem-solving skills.

Basic Literacy Skills

Basic skills training pays off for employer. Statistics show that nearly 40% of the U.S. labour force and more than 50% of high school graduates don't possess the basic work skills needed to perform in today's workplace. This problem, of course, isn't unique to the United States. It's a worldwide problem – from the most developed countries to the least". Literacy data published by UNESCO and the 2007/8 UN Human Development Report indicate that the vast majority of the world's 771 million adults who lack minimal literacy skills live in Asia and sub-Sahara Africa. Whilst the regions literacy rates cluster around 60%, in some countries fewer than three out of ten adults can read and write. The rate for South Africa (15 years and older) is 82,4%.

For many developing countries, where few workers can read or have gone beyond the equivalent of the third grade, widespread illiteracy means there is almost no hope of competing in a global economy.

Inability to write, speak and work well with others could often come in the way of discharging duties, especially at the lower levels. Workers, in such situations, may fail to understand safety messages, appreciate the importance of sticking to rules, and commit avoidable mistakes. Functional illiteracy (low skill level in a particular content area) may be a serious impediment to a firm's productivity and competitiveness. Functional literacy programmes focus on the basic skills required to perform a job adequately and capitalise on most workers' motivation to get help in a particular area. Tutorial programmes, home assignments, reading and writing exercises, simple mathematical tests, etc., are generally used in all company in-house programmes meant to improve the literacy levels of employees with weak reading, writing or arithmetic skills.

Technical Skills

Most training is directed at upgrading and improving an employee's technical skills. Technical training has become increasingly important today for two reasons – new technology and new structural designs in the organisation.

Jobs change as a result of new technologies and improved methods. For instance, many auto repair personnel have had to undergo extensive training to fix and maintain recent models with computer-monitored engines, electronic stabilising systems, GPS, keyless remote entry, and other innovations. Similarly, computer-controlled equipment has required millions of production employees to learn a whole new set of skills. In addition, technical training has become increasingly important because of changes in organisation design. As organisations flatten their structures, expand their use of teams, and break down traditional departmental barriers, employees need mastery of a wider variety of tasks and increased knowledge of how their organisation operates.

Interpersonal Skills

Almost all employees belong to a work unit, and their work performance depends to some degree on their ability to effectively interact with their co-workers and their boss. Some employees have excellent interpersonal skills, but others require training to improve theirs. This includes learning how to be a better listener, how to communicate ideas more clearly, and how to be a more effective team player.

Problem-solving Skills

Managers, as well as many employees who perform non-routine tasks, have to solve problems on their lobs. When people require these skills but are deficient in them, they can participate in problem-solving training. This can include activities to sharpen their logic, reasoning, and problem-defining skills, as well as their abilities to assess causation, develop and analyse alternatives, and select solutions. Problem-solving training has become a basic part of almost every organisational effort to introduce self-managed teams or implement quality-management programmes.

Example:

- ***Thermax:*** At Thermax (over 1200 employees nearly ₹ 600 crore turnover, 6 percent attrition rate) high-potential individuals are given greater exposure, high visibility and asked to chart out a career vision through an on-going dialogue.
- ***GCPL:*** Godrej Consumer Products Ltd.'s (1052 employees, nearly ₹ 500 crore sales) talent management system allows bright employees to acquire a wide variety of skills through job rotation (e.g., sales systems, project management skills, IT skills, team building skills, etc.). Outstanding performers get salary increase instantaneously.
- ***Sapient Corporation:*** (914 employees with over $ 202 million global sales). At Sapient employees work on 48-50 projects at any given time. Some of these are executed entirely by the local employees from their Gurgaon and Bangalore offices.
- ***Johnson & Johnson:*** (1419 employees with over $ 41,000 million global sales) J&J constantly encourages its employees to upgrade their skills and knowledge through short-term programmes at institutes like the IIMs, XLRI, etc. apart from rotating employees on challenging tasks.
- ***Monsanto India:*** (354 employees with nearly $ 5,000 global sales) Monsanto sets stiff targets for employees, but trains employees with a rare rigour so that they get a fair shot at those. People identified as future leaders are given internal international positions.
- ***P&G:*** (Over ₹ 750 crore sales and powerful brands like Vicks, Tide, Ariel, Pantene, Whisper, Pampers, Head and Shoulders, etc.) P&G relies on the promote-from-within philosophy'. It hires freshers straight out of B-school, trains and empowers them to handle challenging jobs from day 1. Says a new recruit from IIM Ahmedabad: "I am two months old in the company and already handling a new brand launch".

8.7 TRAINING PROCESS

Training is most effective when it is planned, implemented and evaluated in a systematic way. Unplanned, uncoordinated and haphazard training efforts greatly reduce the learning that can be expected. A training process includes the following steps:

8.7.1 Identification of Objectives

The first thing is to identify the business objectives. This step provides the direction for which way organisation has to move. Thus, the business plan shows the activities to be carried out to achieve the said objectives.

8.7.2 Determining Training Needs

Training efforts must aim at meeting the requirements of the organisation (long-term) and the individual employees (short-term). Training needs can be identified through the following types of analysis:

Organisational Analysis

It involves a study of the entire organisation in terms of its objectives, its resources, the utilisation of these resources, in order to achieve stated objectives and its interaction pattern with environment. The important elements that are closely examined in this connection are:

a) ***Analysis of Objectives:*** This is a study of short term and long term objectives and the strategies followed at various levels to meet these objectives.

b) ***Resource Utilisation Analysis:*** How the various organisational resources (human, physical and financial) are put to use is the main focus of this study. The contributions of various departments are also examined by establishing efficiency indices for each unit. This is done to find out comparative labour costs, whether a unit is under-manned or over-manned.

c) ***Environmental Scanning:*** Here the economic, political, socio-cultural and technological environment of the organisation is examined.

d) ***Organisational Climate Analysis:*** The climate of an organisation speaks about the attitudes of members towards work, company policies, supervisors, etc. Absenteeism, turnover ratios generally reflect the prevailing employee attitudes. These can be used to find out whether training efforts have improved the overall climate within the company or not.

Task or Role Analysis

This is a detailed examination of a job, its components, its various operations and conditions under which it has to be performed. The focus here is on the roles played by an individual and the training needed to perform such roles. After collecting the information, an appropriate training programme may be designed, paying attention to (i) performance standards required of employees, (ii) the tasks they have to discharge, (iii) the methods they will employ on the job, and (iv) how they have learned such methods, etc.

Person Analysis

Here the focus is on the individual in a given job. There are three issues to be resolved through manpower analysis. First, we try to find out whether performance is satisfactory and training is required. Second, whether the employee is capable of being trained and the specific areas in which training is needed. Finally, we need to state whether poor performers (who can improve with requisite training inputs) on the job need to be replaced by those who can do the job. To be effective, training efforts must continuously monitor and coordinate the three kinds of analyses described above.

Example: **Model Form for Conducting a 'Training Needs' Assessment**

Conducting a Needs Assessment: A Model Form

Job ______________________________ Title ______________________________

Interviewer(s) ______________________ Date ______________________________

Part I Background Information on Interviewee

Years on the Job ________________________________ Years in the Company ______________

Educational/Technical

Qualifications ____________________

Part II Organisational Analysis

1. In your view, what are the purposes of training?
2. Do you think the current training programmes in your firm serve the above purposes?
3. What do you think would be the responses of your colleagues regarding training in your firm?
4. Do you think trainees are motivated to attend training? Explain in detail.
5. Do you think employees in your firm offer any resistance to training? Please advance suggestions to minimise this resistance.
6. What positive consequences are associated with successful completion of training? (Like increased pay, recognition, greater promotional opportunities) Are there any negative consequences associated with training? (like loss of production, loss of status among co-workers)
7. Do your think it is difficult for trainees to apply the skills they learned in training once they return to the job? Why or why not?
8. For training programmes you have attended, are you asked to provide your reactions to the programme? Are you given training tests before and after training to assess a change in your training? If so, describe the types of measures that are used to assess your reactions and learning.

Part III Task and Person Analysis

9. Describe the major duties of your job. Rank them in terms of importance (1= most important).
10. Think about a person who is very effective at your job. What knowledge, skills or abilities does this person possess? Can these skills be enhanced through training? If yes, explain the type of training that might be helpful.
11. Do you foresee any additional job demands being added to the current responsibilities in your job in the next 5 years or so? If yes, what additional skills or abilities will be required to meet these demands?

8.7.3 Identify Training Objectives

Once training needs are identified, objectives should be set to begin meeting these needs.

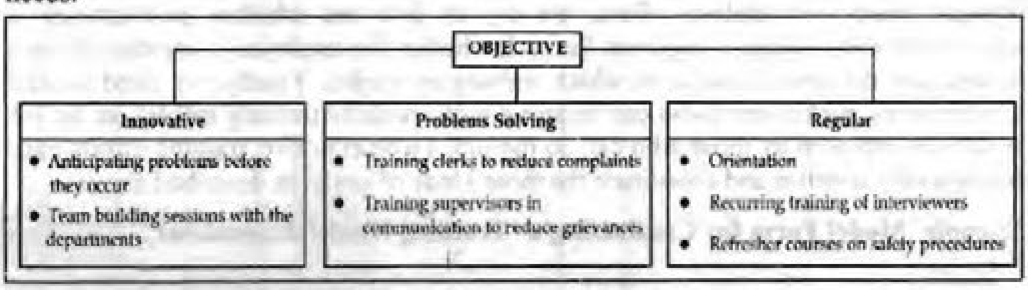


Figure 8.1: Training Objectives

As Figure 8.1 suggests, training objectives can be of three types. The most basic training takes place through orientation programmes. The second type of training objective is problem solving. The focus is on solving a specific problem instead of providing general information about a problem area. The final objective is innovation. Here the emphasis is on changing the mind set of workers, supervisors and executives working at various levels.

8.7.4 Determining Content and Schedule of Training

According to the nature of the training, contents and schedule of training are specified. Generally training covers two aspects: technical and behavioural. As per requirement of the training participants, facilities, instructors and aids are decided on.

8.7.5 Coordination of Training Programme

Very often HR department coordinates the training programme. It involves preparing the list of participants, schedules, programmes, etc. and arranging faculty and support services like refreshment, training aids and documentation of programmes.

8.7.6 Evaluating the Training Programme

It is for knowing whether training programme has been able to achieve its objectives. Various methods of evaluation can be used to determine the effectiveness of training.

8.8 TRAINING METHODS

In this section, you will learn about the various types of training method. Training is conducted for workers, supervisors and managers in an organisation. There are broadly two methods of training:

1. On-the-job training and
2. Off-the-job training

On-the-job training is provided when the workers are taught relevant knowledge, skills and abilities at the actual workplace; off-the-job training, on the other hand, requires that trainees learn at a location other than the real workspot. Some of the widely used training methods are listed below:

8.8.1 On-the-job Training Methods

1. ***Job Instruction Training (JIT):*** The JIT method (developed during World War II) is a four-step instructional process involving preparation, presentation, performance try out and follow up. It is used primarily to teach workers how to do their current jobs. A trainer, supervisor or co-worker acts as the coach. The four steps followed in the JIT methods are given below:
   - *Present overview:* The trainee receives an overview of the job, its purpose and its desired outcomes, with a clear focus on the relevance of training.
   - *Demonstrate and show the way:* The trainer demonstrates the job in order to give the employee a model to copy. The trainer shows a right way to handle the job.
   - *Copy and handle the job independently:* Next, the employee is permitted to copy the trainer's way. Demonstrations by the trainer and practice by the trainee are repeated until the trainee masters the right way to handle the job.
   - *Follow-up:* In this step, the trainer checks the trainee's job frequently after the training programme is over to prevent bad work habits from developing.

Table 8.3: Merits and Demerits of Job Instruction Training

Merits	Demerits
Trainee learns fast through practice and observation.	The trainee should be as good as the trainer. If the trainer is not good, transference of knowledge and skills will be poor.
It is economical as it does not require any special settings. Also, mistakes can be corrected immediately.	While learning, trainee may damage equipment, waste materials, cause accidents frequently.
The trainee gains confidence quickly as he does the work himself in actual setting with help from supervisor.	Experienced workers cannot use the machinery while it is being used for training.
It is most suitable for unskilled and semi-skilled jobs where the job operations are simple; easy to explain and demonstrate within a short span of time.	

2. ***Coaching:*** You should be able to understand that coaching is a kind of daily training and feedback given to employees by immediate supervisors. It involves a continuous process of learning by doing. It may be defined as an informal, unplanned training and development activity provided by supervisors and peers. In coaching, the supervisor explains things and answers questions; he throws light on why things are done the way they are; he offers a model for trainees to copy; conducts a lot of decision making meetings with trainees; procedures are agreed upon and the trainee is given enough authority to make divisions and even commit mistakes. Of course, coaching can be a taxing job in that the coach may not possess requisite skills to guide the learner in a systematic way. Sometimes, doing a full day's work may be more important than putting the learner on track.

   When to use coaching usefully?

   Coaching could be put to good use when:

   - An employee demonstrates a new competency.
   - An employee expresses interest in a different job within the organisation.
   - An employee seeks feedback.
   - An employee is expressing low morale, violating company policies or practices or having performance problems.
   - An employee needs help with a new skill following a formal training programme.

   Effective working, obviously, requires patience and communication skills. It involves:

   - *explaining* appropriate ways of doing things.
   - *making* clear why actions were taken.
   - *stating* observations accurately.
   - *offering* possible alternatives/suggestions.
   - *following up.*

3. ***Mentoring:*** Mentoring is a relationship in which a senior manager in an organisation assumes the responsibility for grooming a junior person. A mentor is a teacher, spouse, counsellor, developer of skills and intellect, host, guide, exemplar, and most importantly, supporter and facilitator in the realisation of the vision the young person (protégé).

   Example: Companies like TISCO, Neyveli Lignite Corporation, Polaris, Coca-Cola India have used mentoring systems to good effect in recent times (*Economic*

Times, 25 Oct., 2002). Organisations like General Electric, Intel, Proctor & Gamble have given a lot of importance to mentoring programmes, going even gone to the extent of penalising senior managers if they fail to develop leadership skills among subordinates. Of course, mentoring is not without its problems.

3. ***Job Rotation:*** This kind of training involves the movement of trainee from one job to another. This helps him to have a general understanding of how the organisation functions. The purpose of job rotation is to provide trainees with a larger organisational perspective and a greater understanding of different functional areas as well as a better sense of their own career objectives and interests. Apart from relieving boredom, job rotation allows trainees to build rapport with a wide range of individuals within the organisation, facilitating future cooperation among departments. The cross-trained personnel offer a great amount of flexibility for organisations when transfers, promotions or replacements become inevitable.

   For slow learners, there is little room to integrate resources properly. Trainees can become confused when they are exposed to rotating managers, with contrasting styles of operation. Today's manager's commands may be replaced by another set from another manager! Further, job rotation can be quite expensive.

   A substantial amount of managerial time is lost when trainees change positions, because they must be acquainted with different people and techniques in each department. Development costs can go up and productivity is reduced by moving a trainee into a new position when his efficiency levels begin to improve at the prior job. Inexperienced trainees may fail to handle new tasks in an efficient way. Intelligent and aggressive trainees, on the offer hand, may find the system to be thoroughly boring as they continue to perform more or less similar jobs without any stretch, pull and challenge. To get the best results out of the system, it should be tailored to the needs, interests and capabilities of the individual trainee, and not be a standard sequence that all trainees undergo. (Wesley; Campion) below mentioned table presents the merits and demerits of job rotation:

Table 8.4: Job Rotation: Merits and Demerits

Merits	Demerits
Improves participant's job skills, job satisfaction.	Increased workload for participants.
Provides valuable opportunities to network within the organisation.	Constant job change may produce stress and anxiety.
Offers faster promotions and higher salaries to quick learners.	Mere multiplication of duties do not enrich the life of a trainee.
Lateral transfers may be beneficial in rekindling enthusiasm and developing new talents.	Development costs may shoot up when trainees commit mistakes, handle tasks less optimally.

   Job rotation allows the manager to operate in diverse roles and understand the different issues that crop up. If someone is aspiring to be a corporate leader, then he or she must have this type of training. A recent study indicated that the single most significant factor that leads to leader's achievement was the variety of experiences in different departments, business units, cities, and countries.

5. ***Apprenticeship Training:*** Most craft workers such as plumbers and carpenters are trained through formal apprenticeship programmes. Apprentices are trainees who spend a prescribed amount of time working with an experienced guide, coach or trainer. Assistantships and internships are similar to apprenticeships because they also demand high levels of participation from the trainee. An internship is a kind of on-the-job training that usually combines job training with classroom

instruction in trade schools, colleges or universities. Coaching, as explained above, is similar to apprenticeship because the coach attempts to provide a model for the trainee to copy. One important disadvantage of the apprenticeship methods is the uniform period of training offered to trainees. People have different abilities and learn at varied rates. Those who learn fast may quit the programme in frustration. Slow learners may need additional training time. It is also likely that in these days of rapid changes in technology, old skills may get outdated quickly. Trainees who spend years learning specific skills may find, upon completion of their programmes, that the job skills they acquired are no longer appropriate.

6. ***Committee Assignments:*** In this method, trainees are asked to solve an actual organisational problem. The trainees have to work together and offer solution to the problem. Assigning talented employees to important committees can give these employees a broadening experience and can help them to understand the personalities, issues and processes governing the organisation. It helps them to develop team spirit and work unitedly towards common goals. However, managers should very well understand that committee assignments could become notorious time wasting activities.

   Finally, the above on-the-job training methods are cost effective. Workers actually produce while they learn. Since immediate feedback is available, they motivate trainees to observe and learn the right way of doing things. Very few problems arise in the case of transfer of training because the employees learn in the actual work environment where the skills that are learnt are actually used. On-the-job methods may cause disruptions in production schedules. Experienced workers cannot use the facilities that are used in training. Poor learners may damage machinery and equipment. Finally, if the trainer does not possess teaching skills, there is very little benefit to the trainee.

Table 8.5: Comparison between On-the-job Training and Off-the-job Training

On-the-Job Training	Off-the-Job Training
Economical to carry out.	Learning from specialists in that area of work who can provide more in-depth study.
Training is very relevant and practical dealing with day to day requirements of job.	Can more easily deal with groups of employees at the same time.
Employees are not taken away from jobs and therefore production and productivity is not hampered.	Employees respond better when taken away from pressures of working environment.
Employees who are new to a job role become productive as quickly as possible.	Employees may be able to obtain qualifications or certificates or valuable development inputs.

8.8.2 Off-the-Job Methods

You must also note that under this method of training, the trainee is separated from the job situation and his attention is focused upon learning the material related to his future job performance. Since, the trainee is not distracted by job requirements, he can focus his entire concentration on learning the job rather than spending his time in performing it. There is an opportunity for freedom of expression for the trainees. Off-the-job training methods are as follows:

1. ***Vestibule Training:*** In this method, actual work conditions are simulated in a class room. Material, files and equipment – those that are used in actual job performance are also used in the training. This type of training is commonly used for training personnel for clerical and semi-skilled jobs. The duration of this

training ranges from a few days to a few weeks. Theory can be related to practice in this method.

2. ***Role Playing:*** It is defined as a method of human interaction that involves realistic behaviour in imaginary situations. This method of training involves action, doing and practice. The participants play the role of certain characters, such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman, workers and the like. This method is mostly used for developing interpersonal interactions and relations.

3. ***Lecture Method:*** The lecture is a traditional and direct method of instruction. The instructor organises the material and gives it to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees. An advantage of lecture method is that it is direct and can be used for a large group of trainees. Thus, costs and time involved are reduced. The major limitation of the lecture method is that it does not provide for transfer of training effectively.

4. ***Conference/Discussion Approach:*** In this method, the trainer delivers a lecture and involves the trainee in a discussion so that his doubts about the job get clarified. When big organisations use this method, the trainer uses audio-visual aids such as blackboards, mock-ups and slides; in some cases the lectures are videotaped or audio taped.

   It is important to understand that even the trainee's presentation can be taped for self-confrontation and self-assessment. The conference is, thus, a group-centred approach where there is a clarification of ideas, communication of procedures and standards to the trainees. Those individuals who have a general educational background and whatever specific skills are required – such as typing, shorthand, office equipment operation, filing, indexing, recording, etc. – may be provided with specific instructions to handle their respective jobs.

5. ***Programmed Instruction:*** This method has become popular in recent years. The subject-matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instruction. The trainee goes through these units by answering questions or filling the blanks. This method is, thus, expensive and time-consuming.

6. ***Virtual Organisations and e-Learning:*** The virtual organisation is a temporary network of companies that come together quickly to exploit fast changing opportunities. Partners in a virtual organisation generally share costs, skills and access to international markets. Each partner contributes to the virtual organisation what it is best at—its core capabilities. In many high tech industries, virtual organisations rely heavily on internal computer networks or even the internet to provide instantaneous communications and access to people who may be in many different locations, perhaps even around the world. Speed, agility and fast response are the greatest benefits of going virtual. To cross fertilise ideas and to gain from an experienced partner specialising in a core area, virtual class rooms have gained currency in recent times.

   You will find it important to understand that a virtual class room employs special collaboration software to enable multiple remote learners, using their PCs or laptops to participate in live audio and visual discussions, communicate via written text and learn via content such as PowerPoint presentations. Other e-learning methods include training delivered by CD-ROM, intranet or internet, satellite broadcasts and digital collaboration between partners willing to learn from each other. Information provided may vary from a single needed fact or procedure, to a module on a narrow topic, to a broader training course, to a full university degree.

Many e-learning resources are entirely self-paced, permitting employees to initiate and pursue training when they require it and when they really find time. In other cases, e-learning courses have set start and end dates and interactivity with an instructor and sometimes classmates. In a synchronous e-learning programmes, as mentioned above, all participants must log on to discussion groups or attend broadcasts in a virtual class room at the same time.

Full-fledged learning portals satisfy employee training requirements in companies like FedEx, Hewlett-Packard, Delta Airlines, etc. FedEx has, in fact, tied up with SkillSoft, an e-learning portal, to provide its employees a choice of 800 short courses on a wide variety of topics that could help an employee grows from time to time.

Example: ICICI, too, has over 200 e-learning programmes aimed at refining the skills and improving the knowledge of its employees working at various levels. The Godrej Group has taken a stake in Personalitree Academy Limited in 2002.

E-learning allows trainees to improve their skills and knowledge at their own comfortable pace. The trainee participates actively and is able to upgrade skills in a time-bound manner. Of course, e-training requires top management support, uninterrupted internet access, investments in establishing learning portals and is not suitable for imparting behavioural skills to trainees. Technology barriers like bandwidth will restrict and hamper the effectiveness of e-learning. Learning effectiveness might never match the level of classroom for a long time.

7. ***Behaviourally Experienced Training:*** Some training programmes focus on emotional and behavioural learning. Here employees can learn about behaviour by role playing in which the role players attempt to act their part in respect of a case, as they would behave in a real-life situation. Business games, cases, incidents, group discussions and short assignments are also used in behaviourally-experienced learning methods. Sensitivity training or laboratory training is an example of a method used for emotional learning. The focus of experiential methods is on achieving, through group processes, a better understanding of oneself and others. These are discussed elaborately in the section covering Executive Development Programmes.

8.9 EVALUATION OF THE TRAINING EFFORTS

The specification of values forms a basis for evaluation. The basis of evaluation and the mode of collection of information necessary for evaluation should be determined at the planning stage. The process of training evaluation has been defined as "any attempt to obtain information on the effects of training performance and to assess the value of training in the light of that information". Hamblin suggested five levels at which evaluation of training can take place:

1. ***Reactions:*** Trainee's reactions to the overall usefulness of the training including the coverage of the topics, the method of presentation, the techniques used to clarify things, often throw light on the effectiveness of the programme. Potential questions to trainees might include: (i) What were your learning goals for the programme? (ii) Did you achieve them? (iii) Did you like this programme? (iv) Would you recommend it to others who have similar learning goals? (v) What suggestions do you have for improving the programme? (vi) Should the organisation continue to offer it?

2. ***Learning:*** Training programme, trainer's ability and trainee's ability are evaluated on the basis of quantity of content learned and time in which it is learned and learner's ability to use or apply the content learned.

3. ***Job Behaviour:*** This evaluation includes the manner and extent to which the trainee has applied his learning to his job.

4. ***Organisation:*** This evaluation measures the use of training, learning and change in the job behaviour of the department/organisation in the form of increased productivity, quality, morale, sales turnover and the like.

5. ***Ultimate Value:*** It is the measurement of ultimate result of the contributions of the training programme to the company goals like survival, growth, profitability, etc. and to the individual goals like development of personality and social goals like maximising social benefit.

8.9.1 Methods of Evaluation

Various methods can be used to collect data on the outcomes of training. Some of these are:

1. ***Questionnaires:*** Comprehensive questionnaires could be used to obtain opinions, reactions, views of trainees, etc.

2. ***Tests:*** Standard tests could be used to find out whether trainees have learnt anything during and after the training.

3. ***Interviews:*** Interviews could be conducted to find the usefulness of training offered to operatives.

4. ***Studies:*** Comprehensive studies could be carried out eliciting the opinions and judgements of trainers, superiors and peer groups about the training.

5. ***Human Resource Factors:*** Training can also be evaluated on the basis of employee satisfaction, which in turn can be examined on the basis of decrease in employee turnover, absenteeism, accidents, grievances, discharges, dismissals, etc.

6. ***Cost Benefit Analysis:*** The costs of training (cost of hiring trainers, tools to learn, training centre, wastage, production stoppage, opportunity cost of trainers and trainees) could be compared with its value (in terms of reduced learning time, improved learning, superior performance) in order to evaluate a training programme.

7. ***Feedback:*** After the evaluation, the situation should be examined to identify the probable causes for gaps in performance. The training evaluation information (about costs, time spent, outcomes, etc.) should be provided to the instructors, trainees and other parties concerned for control, correction and improvement of trainees' activities. The training evaluator should follow it up sincerely so as to ensure effective implementation of the feedback report at every stage.

8.10 BENEFITS OF TRAINING

Now you must recognise the benefits of training. Training is an indispensable part of HR functions in every organisation now. Gone are the days when training was considered to be futile, waste of time, resources and money. Other departments such as Finance, Marketing and Sales, Production are dependent on Training and Development Department in a major way. Training is a vital investment because the payoffs are immeasurable in terms of employee growth, involvement and commitment. It is an important tool of HRM as it helps to control the attrition rate— it helps in motivating people to stay on, acquire new skills and remain continually useful to the organisation; it helps in increasing the job knowledge and skills of employees at each level. The benefits of training can be studied under the following heads. (Tessin; Morrow et al)

8.10.1 Benefits to the Business

It is important to note the following benefits to the business:

- Trained workers can work more efficiently.
- They use machines, tools, materials in a proper way. Wastage is thus eliminated to a large extent.
- There will be fewer accidents. Training improves the knowledge of employees regarding the use of machines and equipment. Hence, trained workers need not be put under close supervision, as they know how to handle operations properly.
- Trained workers can show superior performance. They can turn out better performance. They can turn out better quality goods by putting the materials, tools and equipment to good use.
- Training makes employees more loyal to an organisation. They will be less inclined to leave the unit where there are growth opportunities.

8.10.2 Benefits to the Employees

Following are the benefits to the employees:

- Training makes an employee more useful to a firm. Hence, he will find employment more easily.
- Training makes employees more efficient and effective. By combining materials, tools and equipment in a right way, they can produce more with minimum effort.
- Training enables employees to secure promotions easily. They can realise their career goals comfortably.
- Training helps an employee to move from one organisation to another easily. He can be more mobile and pursue career goals actively.
- Employees can avoid mistakes, accidents on the job. They can handle jobs with confidence. They will be more satisfied on their jobs and their morale would be high.

Thus, training can contribute to higher production, fewer mistakes, greater job satisfaction and lower labour turnover. Also, it can enable employees to cope with organisational, social and technological change. Effective training is an invaluable investment in the human resources of an organisation.

8.11 RESISTANCE TO TRAINING

In this section, you will get acquainted to the employees' resistance to training and the reasons for it. The following are some of the common resistance in training:

- There is failure to work out the details of the programme, to include data collection instruments, the specific procedures to be followed and the scheduling of surveys, interviews and observation;
- Evaluators are not trained in the principles and techniques of evaluation, which include the use of data gathering instruments;
- There is a failure to make clear to all concerned the purpose of the evaluation of the programme and the uses to be made of evaluations and recommendations;

- There is a lack of objectivity in training programme evaluations by not focusing on the components of the training situations as an integrated system;
- There are rating errors, caused by inappropriate scales used to evaluate performance or materials. Some errors are the result of design of rating instruments, while others are caused by the raters themselves;
- The interpretation of data obtained during training programme evaluation may be problematic when assuming that consensus in one category of data on a single training system element guarantees a valid and accurate judgment;
- Concluding that an observation or judgment made by only one observer or group of trainees is inaccurate or invalid may be a mistake;
- Evaluations are not reported in terms that are meaningful to the intended audience. Evaluations should focus on the direct outcomes of the training, that is, behavioural changes;
- There is often an overgeneralisation of findings. Only by conducting repeated evaluations will an accurate picture emerge; and
- Inappropriate use of evaluation results such as using unsupported and invalid data as a basis for causing significant changes to a training programme.

Check Your Progress

Fill in the blanks:

1. __________ has been referred to as teaching specific skills and behaviour.
2. Developme.. . is mostly the result of ________ motivation.
3. __________ is simply copying someone else's behaviour.
4. ____________ is a relationship in which a senior manager in an organisation assumes the responsibility for grooming a junior person.
5. __________ is defined as a method of human interaction that involves realistic behaviour in imaginary situations.
6. The __________ organisation is a temporary network of companies that come together quickly to exploit fast changing opportunities.

8.12 LET US SUM UP

- Training is a planned programme designed to improve performance and to bring about measurable changes in knowledge, skills, attitude and social behaviour of employees.
- Development is future-oriented training, focusing on the personal growth of the employee.
- In order to have effective training programmes, the systems approach is recommended.
- The systems approach consists of identification of objectives, determining the training need, identification of training objectives, determining subject content and training schedule, coordination of programme and evaluating the programme.
- Formal training methods include on-the-job and off-the-job training.
- On-the-job training covering job instruction training, coaching, mentoring, job rotation, apprenticeship training, committee assignments.

- Off-the-job training includes lectures, conferences, simulation exercises and programmed instruction.
- Training can be evaluated at five levels: reaction, learning, behaviour, organisation and results.

8.13 LESSON END ACTIVITY

Specify the training methods you recommend for each of the following occupations. Why?

1. A plumber
2. An unskilled-assembly line worker
3. An office clerk
4. An inexperienced manager

8.14 KEYWORDS

Training: A planned programme designed to improve performance and bring about measurable changes in knowledge, skills, attitude and social behaviour of employees.

Development: Broadening an individual's knowledge, skills and abilities for future responsibilities.

Education: Conceptual learning that improves understanding of a subject/theme.

Mentoring: An experienced employee offering guidance and support to a junior employee so that the latter learns and advances in the organisation.

Job Instruction Training: Training received directly on the job.

Feedback: The process of providing trainees with information about their performance.

Job Rotation: Moving a trainee from job to job so as to provide cross training.

Role Playing: A development technique requiring the trainee to assume a role in a given situation and act out behaviours associated with that role.

Simulations: Any artificial environment that tries to closely mirror an actual condition. These include case studies, decision games, role plays, etc.

Apprenticeship: A training method that puts trainees under the guidance of a master worker, typically for 2-5 years.

On-The-Job Training: Any training technique that involves allowing the person to learn the job by actually performing it on the job.

Person Analysis: Assessment of employee performance and the knowledge and skill necessary to reach that level of performance.

Punishment: Reinforcement that is aimed at reducing undesirable behaviour by associating that behaviour with a painful consequence.

Reinforcement: A concept that people tend to repeat responses that give them some type of positive reward and avoid actions associated with negative consequences.

Role Playing: A development technique requiring the trainee to assume a role in a given situation and act out behaviours associated with that role.

Simulations: Any artificial environment that tries to closely mirror an actual condition. These include case studies, decision games, role plays, etc.

Task Analysis: Process of determining what the content of a training programme should be on the basis of a study of the tasks and duties involved in the job.

Vestibule Training: A training method involving the creation of training facilities separate from the regular production area but with the same equipment.

Job Instruction Training: Training received directly on the job.

Job Rotation: Moving a trainee from job to job so as to provide cross training.

Mentoring: An experienced employee offering guidance and support to a junior employee so that the latter learns and advances in the organisation.

Modelling: Copying someone else's behaviour.

8.15 QUESTIONS FOR DISCUSSION

1. "Training programmes are helpful to avoid personnel obsolescence". Discuss.
2. Suppose that you are the manager of an accounts receivable unit in a large company. You are switching to a new system of billing and record keeping and need to train your supervisors and thirty-two employees for the new procedures. What training method(s) would you use? Why?
3. Distinguish between training and development with the help of some examples.
4. You are training someone to use a new accounting software package in a medium-sized firm. What training method(s) would you use? Why?
5. How would you identify the training needs of a group of sales employees of a large public sector insurance company facing stiff competition from private sector insurance companies in recent times?
6. Discuss whether and how the effectiveness of training programmes can be evaluated.
7. What according to you are the various levels at which evaluation of training can take place?
8. Critically examine various off-the-job methods of training.
9. As an HR manager, what do you suggest as the potential benefits of job rotation?
10. What do you see as the main objectives of training?
11. What are the reasons for the growing usage of external training in present-day organisations?
12. Differentiate between on-the-job and off-the-job training methods. Illustrate with example.
13. Distinguish between vestibule training and apprenticeship training.
14. Write down the areas of training. Signify the major objectives of training and development division in an organisation.
15. Discuss the benefits and resistance of training.
16. Describe lecture method. How it is helpful in off-the-job training?
17. What do you understand by virtual organisations and e-learning? Illustrate with example.
18. What is coaching? When to use coaching?

19. What is training needs assessment? Discuss the role of organisational analysis in training needs assessment.
20. Pen down the brief notes on creativity training and committee assignment.
21. Discuss the career and psychological functions of mentoring.
22. Elucidate the philosophy of training.

Check Your Progress: Answers

1. Training
2. Internal
3. Modelling
4. Mentoring
5. Role playing
6. Virtual

8.16 REFERENCE/ SUGGESTED READINGS

Armstrong, M. (2020). *Armstrong's handbook of learning and development* (5th ed.). Kogan Page.

Blanchard, P. N., & Thacker, J. W. (2021). *Effective training: Systems, strategies, and practices* (6th ed.). Pearson Education.

Dessler, G. (2022). *Human resource management* (17th ed.). Pearson Education.

Gupta, C. B. (2019). *Training and development: A critical aspect of organizational success*. Journal of Human Resources, 14 (2), 34-49.

Noe, R. A. (2021). *Employee training and development* (8th ed.). McGraw-Hill Education.

Salas, E., Tannenbaum, S. I., Kraiger, K., & Smith-Jentsch, K. A. (2018). *The science of training and development in organizations: What matters in practice*. Psychological Science in the Public Interest, 13(2), 74-101.

Werner, J. M., & DeSimone, R. L. (2020). *Human resource development* (7th ed.). Cengage Learning

UNIT 9

RECRUITMENT

CONTENTS

9.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Discuss the meaning of recruitment
- Analyse the various sources of recruitment
- Explain the process of recruitment
- Describe the recent trends in recruitment

9.1 INTRODUCTION

Recruitment often represents the first contact that a company has with potential employees. It is through recruitment that many individuals will come to know a firm and eventually decide whether they wish to work for it. A well-planned and well-managed recruiting effort will result in high-quality applicants, whereas a haphazard and piecemeal effort will result in mediocre ones. Quality employees cannot be selected when quality candidates do not know of job openings, are not interested in working for the company, and do not apply. Recruitment should inform qualified individuals about employment opportunities, create a positive image of the company, provide enough information about the jobs so that applicants can make comparisons with their qualifications and interests, and generate enthusiasm among the best candidates so that they will apply for the available positions. This includes candidates from outside of the organisation (external recruitment), as well as current employees interested in different jobs within the company (internal recruitment).

9.2 MEANING OF RECRUITMENT

Recruitment is defined as, "process to discover the source of manpower to meet the requirement of staffing scheduled and to employ effective measures for attracting that manpower in adequate number to facilitate effective selection of an efficient workforce".

Edwin B. Flippo defined recruitment as, "the process of searching for prospective employee and stimulating them to apply for jobs in the organisation".

The term "recruitment" may be defined as the process to discover sources of manpower to meet the requirements or the staffing schedule and to employ effective measures for attracting that manpower in adequate number to facilitate the selection of an efficient working force.

The first important task of recruitment function is to frame a recruitment policy, which calls for review of manpower requirement, i.e., it should be adequately supported by effective manpower forecasting. Manpower planning and so also manpower forecasting of an organisation depends on many important factors like present nature of work, possible change in the future working of the organisation, the manpower records and information available in the organisation for the present strength, the diversification plans and programmes of the organisation, the environmental change and the change necessary in the organisation to respond to such environmental change, etc. Most of the organisations, in principle, believe in recruiting the best possible manpower from outside the organisation. However, the recruitment policy of some organisations considers recruiting the employees based on the recommendation of the present employees or recruiting employees from the wards of the existing employees.

For example, in Tata, there is a system to recruit employees for unskilled/low-skilled jobs, both technical and non-technical nature, from the wards of the existing employees. Such a policy of recruitment in Tata has been accepted in principle and Tata, in their manufacturing units, maintain separate employment exchange records to enlist the names and other details of the employees' wards to offer them employment as and when a vacancy arises. But such type of recruitment policy is not followed while hiring manpower for managerial jobs. In such cases, companies are looking for best available talents. Thus, they go either for advertising the vacancies in leading newspapers of the country, even in good professional journals or they may go in for recruitment of such managerial manpower by effecting campus interview, and also going for retaining the services of recruitment consultants. Such recruitment consultants, having maintained a separate data bank for the prospective job seekers, can make available a list of prospective managerial manpower to such companies. In addition to the framing of the recruitment policy, each organisation for making their recruitment a scientific process of selection carries out regular forecasting of manpower requirements.

To this end, the organisation must communicate the position in such a way that job seekers respond. To be cost effective, the recruitment process should attract qualified applicants and provide enough information for unqualified persons to self-select themselves out.

9.2.1 Recruitment Policy of Public Sector

A sound recruitment policy calls for adopting a scientific process of recruitment, i.e., those techniques, which are modern and scientific. Recruitment policy also requires one to consider the high cost of managerial turnover. Unless a company adopts a suitable recruitment policy, it may not be possible for the company to select the right candidate for the right job. A sound recruitment policy, therefore, needs to:

- Identify, at the outset, the recruitment needs of the organisation,
- Identify the preferred sources of recruitment,
- Frame suitable criteria for selection and finally,
- Consider the cost of recruitment.

The major sources of recruitment practiced in the public sector organisations in order of preference were:

(i) Employment exchanges

(ii) Advertisements

(iii) Internal sources (through promotion and transfer)

(iv) Casual employment seekers

(v) Displaced persons

(vi) Employees relatives and friends

As regards recruitment practices in the Government organisations, they follow, by and large, public recruitment policies viz., employment exchanges in recruiting lower-level semi-skilled jobs. Advertisements are used for filling the higher-level jobs. These are filled either through promotion from internal sources or through deputation from other organisations. Cadre build vacancies such as IAS, IFS, IPS, etc., are filled through competitive examinations through advertisement.

9.2.2 Sub-system of Recruitment

There are four sub-system of recruitment:

- Finding out and developing the source here, required number and kind of employees are/will be available.
- Developing suitable techniques to attract the desirable candidate.
- Employing the technique to attract the employees.
- Stimulating as many candidates as possible and asking them to apply for jobs irrespective of number of candidate required in order to increase the selection ratio (i.e., number of applications per one job vacancy) due to lower yield ratio.

9.2.3 Importance of Recruitment

Recruitment is an important function of the management system. It is important to:

- Determine the organisations long and short range needs by job title and levels in the organisation.

- Staying informed of job market conditions.
- Developing effective recruitment material.
- Obtaining a pool of qualified applicants.
- Developing a systematic program of recruitment in conjunction with other HR activities.
- Recording the number and quality of job applicants produced by various sources and methods of recruiting.
- Following up on applicants those hired and not hired in order to evaluate the effectiveness of recruitment effort.
- Accomplishing all of these activities within a legal context.
- Provides organisation with a pool of qualified candidates.

9.2.4 Factors Affecting Recruitment

All organisations, whether large or small, do engage in recruiting activity, though not to the same intensity. The recruitment function of the organisations is affected and governed by a mix of various internal and external forces. The internal forces or factors are the factors that can be controlled by the organisation. And the external factors are those factors which cannot be controlled by the organisation. The internal and external forces affecting recruitment function of an organisation are shown in Figure 9.1:

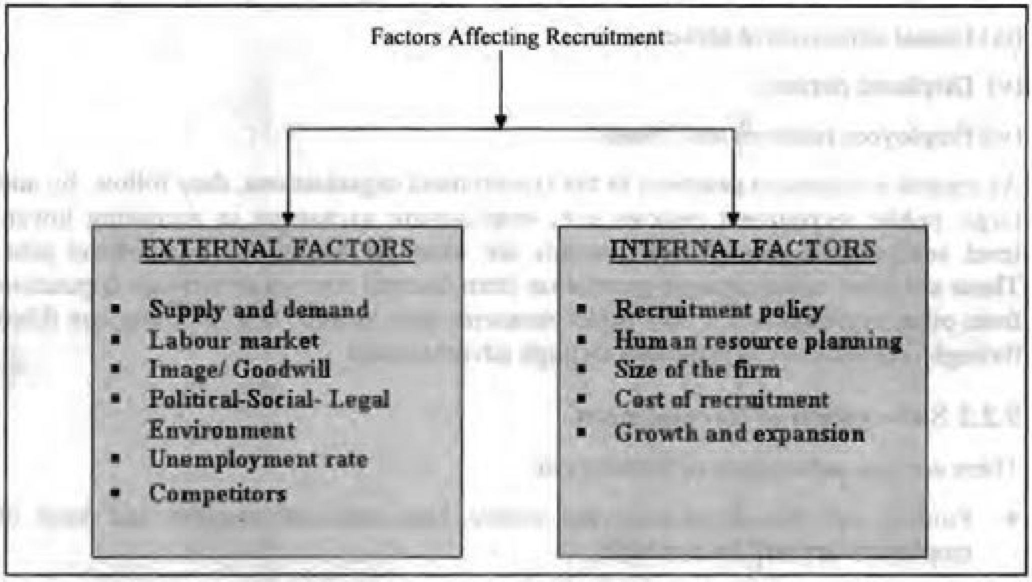


Figure 9.1: Factors Affecting Recruitment

The factors affecting recruitment are discussed as follows:

Internal Factors Affecting Recruitment

The internal forces are the forces which can be controlled by the organisation. The major internal forces are as follows:

- ***Recruitment Policy:*** The recruitment policy of an organisation specifies the objectives of recruitment and provides a framework for implementation of recruitment program. It may involve organisational system to be developed for implementing recruitment programs and procedures by filling up vacancies with best qualified people. Factors affecting recruitment policy are as follows:

- Organisational objectives.
- Personnel policies of the organisation and its competitors.
- Preferred sources of recruitment.
- Need of the organisation.
- Recruitment costs and financial implications.
- Government policies on reservations.

- ***Human Resource Planning:*** Effective human resource planning helps in determining the gaps present in the existing manpower of the organisation. It also helps in determining the number of employees to be recruited and what qualification they must possess.
- ***Size of the Firm:*** The size of the firm is an important factor in recruitment process. If the organisation is planning to increase its operations and expand its business, it will think of hiring more personnel, which will handle its operations.
- ***Cost:*** Recruitment incur cost to the employer, therefore, organisations try to employ that source of recruitment which will bear a lower cost of recruitment to the organisation for each candidate.
- ***Growth and Expansion:*** Organisation will employ or think of employing more personnel if it is expanding its operations.

External Factors Affecting Recruitment

The external forces are the forces which cannot be controlled by the organisation. The major external forces are as follows:

- ***Supply and Demand:*** The availability of manpower both within and outside the organisation is an important determinant in the recruitment process. If the company has a demand for more professionals and there is limited supply in the market for the professionals demanded by the company, then the company will have to depend upon internal sources by providing them special training and development programs.
- ***Labour Market:*** Employment conditions in the community where the organisation is located will influence the recruiting efforts of the organisation. If there is surplus of manpower at the time of recruitment, even informal attempts at the time of recruiting like notice boards display of the requisition or announcement in the meeting, etc. will attract more than enough applicants.
- ***Image/Goodwill:*** Image of the employer can work as a potential constraint for e-recruitment. An organisation with positive image and goodwill as an employer finds it easier to attract and retain employees than an organisation with negative image. Image of a company is based on what organisation does and affected by industry.

  Example: Finance was taken up by fresher MBA's when many finance companies were coming up.
- ***Political-Social-Legal Environment:*** Various government regulations prohibiting discrimination in hiring and employment have direct impact on recruitment practices.

  Example: Government of India has introduced legislation for reservation in employment for scheduled castes, scheduled tribes, physically handicapped, etc.

Also, trade unions play important role in recruitment. This restricts management freedom to select those individuals who it believes would be the best performers. If the candidate can't meet criteria stipulated by the union but union regulations can restrict recruitment sources.

- ***Unemployment Rate:*** One of the factors that influence the availability of applicants is the growth of the economy (whether economy is growing or not and its rate). When the company is not creating new jobs, there is often oversupply of qualified labour which in turn leads to unemployment.
- ***Competitors:*** The recruitment policies of the competitors also affect the recruitment function of the organisations. To face the competition, many a times the organisations have to change their recruitment policies according to the policies being followed by the competitors.

9.3 SOURCES OF RECRUITMENT

Every organisation has the option of choosing the candidates for its recruitment processes from two kinds of sources: internal and external sources (see Figure 9.2). The sources within the organisation itself (like transfer of employees from one department to other, promotions) to fill a position are known as the internal sources of recruitment. Recruitment candidates from all the other sources (like outsourcing agencies, etc.) are known as the external sources of recruitment.

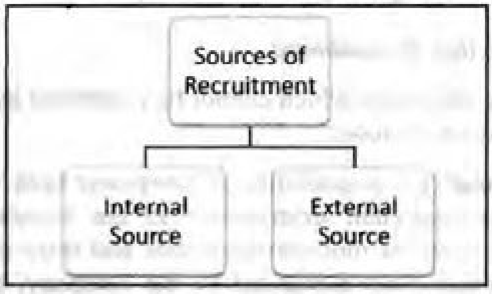


Figure 9.2: Sources of Recruitment

9.3.1 Internal Sources of Recruitment

These include personnel already on the payroll of an organisation, that is, its present working force. Whenever any vacancy occurs, somebody from within the organisation is upgraded, transferred, promoted or sometimes demoted. The internal sources of recruitment are as under:

- ***Promotions:*** Promotion means to give a higher position, status, salary and responsibility to the employee. So, the vacancy can be filled by promoting a suitable candidate from the same organisation.
- ***Transfers:*** Transfer means a change in the place of employment without any change in the position, status, salary and responsibility of the employee. So, the vacancy can be filled by transferring a suitable candidate from the same organisation.
- ***Internal Advertisements:*** Here, the vacancy is advertised within the organisation. The existing employees are asked to apply for the vacancy. So, recruitment is done from within the organisation.
- ***Retired Employees:*** Sometimes, retired managers may be recalled for a short period. This is done when the organisation cannot find a suitable candidate. Employees retrenched due to lack of work are given employment by the organisation due to obligation, trade union pressure, etc. Sometimes they are re-

employed by the organisation as a token of their loyalty to the organisation or to postpone some interpersonal conflicts for promotion.

- ***Recall from Long Leave:*** The organisation may recall a manager who has gone on a long leave. This is done when the organisation faces a problem which can only be solved by that particular manager. After he solves the problem, his leave is extended.
- ***Dependents of Deceased, Disabled, Retired and Present Employees:*** Some organisations function with a view for developing the commitment and loyalty of not only the employee but also his family members.
- ***Employee Referrals:*** Present employees are well aware of the qualifications, attitudes, experience and emotions of their friends and relatives. They are also aware of the job requirements and organisational culture of their company. As such they can make preliminary judgment regarding the match between the job and their friends and relatives.

Merits of Internal Sources of Recruitment

The benefits/advantages/merits of using internal sources of recruitment:

- It is time saving, economical, simple and reliable.
- There is no need of induction training because the candidate already knows everything about the organisation, the work, the employee, the rules and regulations, etc.
- It motivates the employees of work hard in order to get higher jobs in the same organisation.
- It increases the morale of the employees and it improves the relations in the organisation.
- It reduce executive turnover.
- It develops loyalty and a sense of responsibility..

Demerits of Internal Sources of Recruitment

The limitations/demerits of using internal sources of recruitment:

- It prevents new blood from entering the organisation. New blood brings innovative ideas, fresh thinking and dynamism into the organisation.
- It has limited scope because it is not possible to fill up all types of vacancies from within the organisation.
- The position of the person who is promoted or transferred will be vacant.
- There may be bias or partiality in promoting or transferring persons from within the organisation.
- Those who are not promoted will be unhappy.
- The right person may be promoted or transferred only if proper confidential reports of all employees are maintained through. This involves a lot of time, money and energy.

9.3.2 External Sources of Recruitment

External sources includes source outside the organisation. The external sources of recruitment are as under:

- ***Management Consultants:*** Management consultants are used for selecting higher-level staff. They act as a representative of the employer. They make all the necessary arrangements for recruitment and selection. In return for their services, they take a service charge or commission.
- ***Public Advertisements:*** The personnel department of a company advertises the vacancy in newspapers, the internet, etc. This advertisement gives information about the company, the job and the required qualities of the candidate. It invites applications from suitable candidates. This source is the most popular source of recruitment. This is because it gives a very wide choice. However, it is very costly and time consuming.
- ***Campus Recruitment:*** The organisation conducts interviews in the campuses of Management Institutes and Engineering Colleges. Final year students, who are soon to get graduated, are interviewed. Suitable candidates are selected by the organisation based on their academic record, communication skills, intelligence, etc. This source is used for recruiting qualified, trained but inexperienced candidates.
- ***Recommendations:*** The organisation may also recruit candidates based on the recommendations received from existing managers or from sister companies.
- ***Deputation Personnel:*** The organisation may also recruit candidates who are sent on deputation by the Government or Financial institutions or by holding or subsidiary companies.
- ***Public Employment Exchanges:*** The Government set up Public Employment Exchanges in the country to provide information about vacancies to the candidates and to help the organisation in finding out suitable candidates. As per the Employment Exchange Act, 1959, makes it obligatory for public sector and private sector enterprises in India to fill certain types of vacancies through public employment exchanges.
- ***Professional Organisations:*** Professional organisations or associations maintain complete bio-data of their members and provide the same to various organisations on requisition. They act as an exchange between their members and recruiting firm.
- ***Data Banks:*** The management can collect the bio-data of the candidates from different sources like Employment Exchange, Educational Training Institutes, candidates, etc. and feed them in the computer. It will become another source and the company can get the particulars as and when required.
- ***Casual Applicants:*** Depending on the image of the organisation its prompt response participation of the organisation in the local activities, level of unemployment, candidates apply casually for jobs through mail or handover the application in the Personnel dept. This would be a suitable source for temporary and lower level jobs.
- ***Trade Unions:*** Generally, unemployed or underemployed persons or employees seeking change in employment put a word to the trade union leaders with a view of getting suitable employment due to latter rapport with the management.
- ***Walk In:*** The busy organisation and rapid changing companies do not find time to perform various functions of recruitment. Therefore, they advise the potential candidates to attend for an interview directly and without a prior application on a specified date, time and at a specified place.
- ***Consult In:*** The busy and dynamic companies encourage the potential job seekers to approach them personally and consult them regarding the jobs. The companies

select the suitable candidates and advise the company regarding the filling up of the positions. Head hunters are also called search consultants.

- ***Body Shopping:*** Professional organisations and the hi-tech training develop the pool of human resource for the possible employment. The prospective employers contact these organisations to recruit the candidates. Otherwise the organisations themselves approach the prospective employers to place their human resources. These professional and training institutions are called body shoppers and these activities are known as body shopping. The body shopping is used mostly for computer professionals. Body shopping is also known as employee leasing activity.
- ***Mergers and Acquisitions:*** Business alliances like acquisitions, mergers and take over help in getting human resources. In addition, the companies do also alliances in sharing their human resource on ad hoc basis.
- ***E-recruitment:*** The technological revolution in telecommunications helped the organisations to use internet as a source of recruitment. Organisations advertise the job vacancies through the World Wide Web (www). The job seekers send their applications through e-mail using the internet.
- ***Outsourcing:*** Some organisations recently started developing human resource pool by employing the candidates for them. These organisations do not utilise the human resources; instead they supply HRs to various companies based on their needs on temporary or ad-hoc basis.

Advantages of External Sources of Recruitment

The benefits/merits/advantages of using external sources of recruitment:

- It encourages young blood with new ideas to enter the organisation.
- It offers wide scope for selection. This is because a large number of suitable candidates will come for the selection process.
- There are less chances of bias or partiality.
- Here there is no need for maintenance of confidential records.

Limitations of External Sources of Recruitment

The demerits/limitations of using external sources of recruitment:

- It is very costly. This is because advertisements, test, medical examination, etc., have to be conducted.
- It is very time consuming. This is because the selection process is very lengthy.
- It may not develop loyalty among the existing managers.
- The existing managers may leave the organisation if outsiders are given higher post.

9.4 PROCESS OF RECRUITMENT

Recruitment process involves a systematic procedure from sourcing the candidates to arranging and conducting the interviews and requires many resources and time. Having the right person, in the right place, at the right time, is crucial to organisational performance.

Therefore, recruitment is a critical activity and should incorporate the following steps:

Step 1: What's the job?

Gather information about the nature of the job. Think about:

- The content (such as the tasks) making up the job
- The job's purpose
- The outputs required by the job holder
- How it fits into the organisation's structure?
- The skills and personal attributes needed to perform the role effectively.

This analysis can form the basis of a job description and person specification.

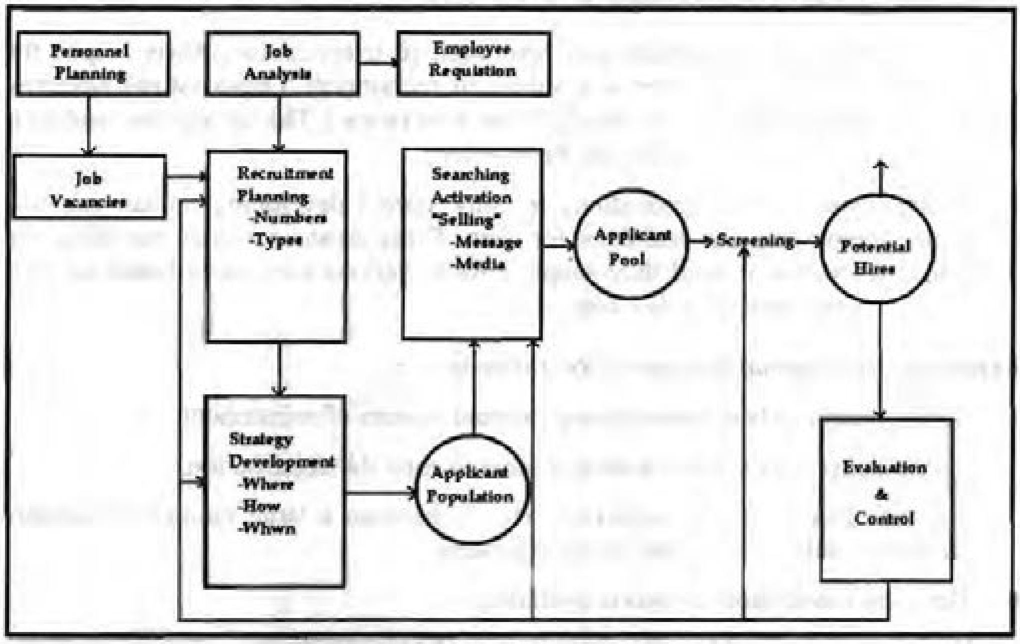


Figure 9.3: Process of Recruitment

Step 2: Prepare a Job and Person Profile

A person specification or job profile states the necessary and desirable criteria for selection. Increasingly such specifications are based on a set of competencies identified as necessary for the performance of the job. Include:

- Skills, aptitude, knowledge and experience.
- Qualifications (which should be only those necessary to do the job – unless candidates are recruited on the basis of future potential, for example graduates)
- Personal qualities relevant to the job, such as ability to work as part of a team.

The document formed from the person specification can then be used to inform the criteria you use to shortlist applicants.

Step 3: Finding Candidates

Internal Methods: There are many options available for generating interest from individuals inside the organisation.

- Staff referrals
- Succession planning

- Secondments
- Job sharing

It is important not to forget the internal talent pool when recruiting. Providing opportunities for development and career progression is an important factor for employee retention and motivation.

External Methods: There are many options available for generating interest from individuals outside the organisation.

- Online recruitment
- Press advertising
- Networking
- Open days

Advertising remains the most common means of attracting and recruiting. Advertisements should be clear and indicate the:

- Requirements of the job
- Necessary and the desirable criteria for job applicants (to limit the number of inappropriate applications received)
- Nature of the organisation's activities
- Job location
- Reward package
- Job tenure (for example, contract length)
- Details of how to apply

Advertisements should be genuine and relate to a job that actually exists. They should appeal to all sections of the community using positive visual images and wording.

Step 4: Managing the Application Process

There are two main formats in which applications are likely to be received: the curriculum vitae (CV) or application form. It is possible that these could be submitted either on paper or electronically and the use of e-applications (Internet, intranet and e-mail) is now part of mainstream recruitment practices.

- ***Application Forms:*** Application forms allow for information to be presented in a consistent format, and therefore make it easier to collect information from job applicants in a systematic way and assess objectively the candidate's suitability for the job. Be aware that application form design is also important under the Disability Discrimination Act, 1995, it may be necessary to offer application forms in different formats.
- ***CVs:*** The advantage of CVs is that they give candidates the opportunity to sell themselves in their own way and don't have the restrictions of fitting information into boxes as often happens on an application form. However, CVs make it possible for candidates to include lots of additional, irrelevant material which may make them harder to assess consistently.

Step 5: Selecting Candidates

Selecting candidates involves two main processes: shortlisting and assessing applicants to decide who should be made a job offer.

- ***Shortlisting:*** The process of shortlisting involves slimming down the total number of applications received to a shortlist of candidates you wish to take forward to the more detailed assessment phase of the selection process. When deciding who to shortlist, it is helpful to draw up a list of criteria using the person specification. Each application can then be rated according to these standards, or a simple scoring system can be used.
- ***Assessment:*** A range of different methods can be used to assess candidates. These vary in their reliability as a predictor of performance in the job and in their ease and expense to administer. Typical methods include:
  - General interview
  - Competency based interview
  - In tray exercise
  - Role play
  - Presentation

Step 6: Making the Appointment

Before making an offer of employment, employers have responsibility for checking that applicants have the right to work in their organization and to see and take copies of relevant documentation.

- ***Contract:*** Offers of employment should always be made in writing. But it is important to be aware that an oral offer of employment made in an interview is as legally binding as a letter to the candidate.
- ***References:*** A recruitment policy should state clearly how references will be used, when in the recruitment process they will be taken up and what kind of references will be necessary (for example, from former employers). These rules should be applied consistently.
- ***Medical Examinations:*** It is reasonable to require completion of a health questionnaire where good health is relevant to the job. Any particular physical or medical requirement should be made clear in the job advertisement or other recruitment literature.

Step 7: Induction

Induction is a critical part of the recruitment process, for both employer and new employee. An induction plan should include:

- Orientation (physical) – describing where the facilities are.
- Orientation (organisational) – showing how the employee fits into the team and how their role fits with the organisation's strategy and goals.
- Health and safety information – this is a legal requirement.
- Explanation of terms and conditions.
- Details of the organisation's history, its products and services, its culture and values.
- A clear outline of the job/role requirements.

9.5 RECENT TRENDS IN RECRUITMENT

It's a generation that's changing the game and once the word is out, retention woes morph into recruitment challenges, there are many new ways and ideas open for the companies for the recruitment nowadays. Some of the new ways of recruitment are as follows:

- ***Internet Recruiting:*** Internet recruiting is an emerging field and therefore relatively few companies have gathered substantive data at this point. The internet is playing a more important role in recruitment. It advertises jobs and serves as a place to locate job applicants. Websites can provide internet users with information on the type of work the company is involved in and the job opportunities that are available.
- ***Mobile Advertising:*** The use of text messaging, video, and audio on cell phones and PDAs is quickly changing how you can reach and influence prospective candidates. It is very essential to develop compelling creative concepts and choose the appropriate media method for putting your message in front of the audience you want to engage.
- ***Social Networking:*** Websites such as MySpace, Facebook, and LinkedIn can be valuable venues for reaching specialised markets, especially when you need to hire college students and recent graduates. After analysing your culture, recommend, and implement an effective combination of social-networking sites for your recruitment and employer-branding campaigns.
- ***Media Migration:*** Media use by prospective employees – for job information and general entertainment – is changing. It is moving to new venues with the introduction and evolution of appliances such as PDAs, cell phones, and interactive media like social networking sites and blogs.
- ***Behavioural Targeting:*** Reach the bulk of Internet users who do not look at job boards. By studying the behaviours of your target audience, conveying the recruitment messages to passive/impulsive candidates while they use the Internet for news, entertainment, information, or personal communication – on sites other than job boards. The only people who will see your ads will be qualified prospects – those who meet your pre-selected criteria, such as skill sets or geography.
- ***Contextual Advertising:*** Place your recruitment message or posting on Internet pages related to your desired audience, next to relevant content. Tap our expertise and resources to pursue this excellent means of enhancing your image, impacting your brand, and improving targeted applicant flow. Whether you're trying to reach a broad audience or a focused one, you need a guide to navigate a constantly moving media landscape.
- ***Poaching or Raiding:*** Hiring an employee from a rival firm can mean bringing on someone who already knows your industry, your business, and can bring valuable new knowledge and even clients to you.
- ***Employer Branding:*** To attract talent, especially in the 21st century, the image of the company must be good, really good. The work environment must be top class; top management known for excellent ethical conduct, the work systems and processes must be making headlines every now and then. In short, the company itself must be selling its name like any other consumer brand so that it's able to attract the best brains in the country or even the world. American Express, Starbucks, Intel, Amazon, Southwest Airlines have their images well positioned in the minds of employees as well as general public. They all share the common trait

of treating their employees better than their peers in their industries and all invest heavily in employee training and development. The communication of an organisation's culture as an employer in the market place — the core value proposition in the form of employer branding is very important in the modern world. Employer branding is a distinguishing and relevant opportunity for a company to differentiate itself from the competition creating its branded factors as its USP for employee satisfaction and happiness resulting in retention, productivity and efficiency. (Vijit Chaturvedi, 1.11.2007) Companies like Infosys, Wipro, TCS have built enviable reputation on the strength of their unmatched ethical conduct, world-class work culture, and excellent work practices. The open and invigorating work environment keeps Microsoft India on top, HCL Infosystems promotes itself as an idea factory, HSBC bank is known as the nursery for talent, Mariott Hotels India presents itself as a caring institution, Canon India adopts teamwork and team spirit as basic themes to encourage employees; Agilent Technologies sells Fun as its distinguishing mark and Johnson & Johnson places employee ahead of other stakeholders in an attempt to retain talent. So most companies are aware of the compelling need to position themselves in the minds of present as well as prospective employees as outstanding employers and they are not leaving anything to chance to keep themselves ahead of others in this race.

9.6 RECRUITMENT A MORE DIVERSE WORKFORCE

A diverse, engaged and talented workforce is best-suited to overcome business problems taking the present economic situation into consideration. This workforce is better prepared to withstand recession. Diversity in workforce is a great advantage as it works on the simple principle that every individual is different and has a different way to approach a problem and solve it. As there is diversity in the workforce, it is most likely that atleast someone must be equipped with to deal with almost any situation.

Thus, people from all walks of life, education, qualification and experience should be encouraged to apply. The organisations should aim to select top minority talent by adopting the most impartial and unbiased process of assessment. While there is no standard approach to achieve this but organisations can take a few steps which can help in the assessment process.

9.6.1 Single Parents

The process of bringing up a child under the best of circumstances is huge responsibility, but doing it as a single parent can be even more stressful, frightening, and expensive to say the least. These days, there are many parents raising their children without a partner.

There are various employers who vigorously discriminate against single parents who are for new jobs. They quote several reasons for their discrimination such as bad work attendance, impossible schedule juggling and always "an emergency".

Understanding the Challenges

Most employers never think about the problems that single parents have to face every day. Some of the most common problems of single parents are given below:

- The legal process of divorce.
- Power struggles with an X.
- Scheduling visitation with an X.

- No backup system when a child gets sick or needs special attention.
- One income instead of two.
- Custody disputes.
- Lack of personal time.
- Late/Unreliable child support payments.

When you, as an employer, understand the challenges mentioned above then you can take steps to recruit as well as retain single parent employees.

Creating Single Parent Friendly Work Environments

The various ways by which employers can help make their work environments suitable for single parents are given below:

You should help your employees do well by forming schedules that leads to triumph rather than failure. For example, if an employee wants to work eight hours per day but can only work for six hours then do not over-schedule that employee. Instead, you can make the schedule for six hours with two hours of flex time. The flex time would provide the opportunity to the employee to work from home and leave early or at any time of the day.

Bad Employer

"You were scheduled to work from 4:00 pm to 12:00 pm but it is not even 10:00 and you want to go home. If you cannot work for the scheduled time and are not able to handle the pressure, you will not be able to work anywhere!"

Good Employer

"I understand that your child is down with fever and you need to be with him. However, it would be great if you stay for half an hour more so that I can resolve this time scheduling issues. I understand your problem and I want to help you but, I need you to understand my dilemma also".

Make a Deal: You can offer a "take home dinner" to your employee in return for working an hour extra. In this case, both you and your employee wins. You win as you get an hour of free labour and the employee wins because they do not have to cook dinner at home.

Treat Events and Happenings with a Level Head: If an employee requests to leave work for a genuine reason such as a medical emergency, illness, family issue or school issues then be supportive and compassionate. However, if the employee begins insulting or mistreating your goodwill then takes a three step course of action:

- ***Step 1:*** Tell the employee that you feel taken advantage of in this case. Ask the employee what they would have done if they were at his place and what course of action they would have preferred. You can also issue a warning in a very polite but strict manner.
- ***Step 2:*** Give warning to the employee that his rude and abusive behaviour has created a bad impression on you. Also, tell him that if this sort of situation comes up again in the future then, there is only one solution – to find a replacement.
- ***Step 3:*** As an employer, you have been fair and consistent. Go through the dates, times and events from steps 1 and 2 mentioned above and terminate the employee. There is no reason to feel guilty as you had given warnings to the employee earlier.

For every disciplinary action that takes place you have to tell the employee they did a great job for each thing you tell them to correct. For instance, "(A) Peter, you have done well with your customers. All of your customers have told us how friendly, helpful and likable you are. (B) However, all of your colleagues need you to remember to work in an organised manner. (C) If you do not improve this part of your performance then we will not be able to keep you and have to find your replacement".

(a) Explained the problem.

(b) Explained what Amanda did well.

(c) Clearly summarised a consequence.

9.6.2 Older Workers

Diversity is a fundamental issue that has various implications for several HR specialities. The most notable of them are employee benefits, employee development and organisational and staffing management. With time, the workforce grows old, which is why the issue of employing older workers is of great importance. Presently, there are four generations in the active workforce, out of which great deals of employees are at the age of retirement and a lot of organisations not prepared.

Although, many organisations have developed training programmes for a culturally diverse workforce, hardly any organisation have dealt with its ageing aspect. A lot of managers have negative views about old employees' performance and find it hard to assign work to them as the old employees remind them of their parents or grandparents. Older workers are not usually well versed with the latest developments in work fields, technology and latest skills. They also lack abilities and skills required to supervise the diversity in work styles, work ethics and values represented in modern workplaces.

Multiple Generations

Employers now employ four generations working alongside are given below:

- Generation X
- Generation Y
- Baby Boomers
- Traditionalists

As more than half of America's workforce is already over 40, more employers must think about what will happen when a considerable percentage of their employees choose retirement. To prepare for employees' retirement, follow the workforce planning strategies given below:

1. ***Observe:*** Observe those who are eligible for retirement and are most likely to take benefit of this eligibility. Also, recognise employees who are asking for retirement advice and with the help of this information determine possible gaps for knowledge retention, succession planning and other issues.

2. ***Analyse:*** Study the employment data and ascertain what proportion of the workforce is eligible for retirement. Scrutinise past retirement rates to find out what proportion of those eligible might want to retire. Now work with benefits actuaries to decide what the numbers will mean to the organisation.

3. ***Communicate:*** Interact with employees who are eligible for retirement and who want to retire by discussing work options and providing retirement counselling. Make employees aware of all the advantages of continuing to work in the organisation. Exit interviews should be conducted with all existing employees,

especially those who are retiring, to evaluate all the things that should be improved, changed remain intact as well as prospects for their continued employment under different terms.

4. ***Survey:*** An employee survey should be conducted to measure the organisational effect of retirement. Ensure the surveys should be made with utmost care and let a legal counsel review any survey to make sure there are no illegal inquiries involved. For instance, a survey should have no inquiry that would make employees believe they are being asked to retire.

5. ***Engage:*** High-performing employees whose knowledge, skills and experience cannot easily be replaced by new employees should be offered post-retirement consulting. Alumni groups should be formed to keep retired employees associated with the organisation.

6. ***Targeted Recruitment Activities:*** As several older people are not actively looking for jobs, employers should use more focused and active styles of recruitment activities. Given below are a few ideas for efficiently designing recruitment activities:

   - Take part in career fairs and open houses particularly for older individuals, frequently sponsored by organisations such as AARP.
   - Offer "unretirement" parties to lure its own retired employees as well as other older individuals to join the group of part-time and temporary workers to meet the organisation's temporary employment needs like Hartford, Connecticut-based the Travellers.
   - Prefer advertising in sections other than the help-wanted section. Consider alternate sections including the television, sports, lifestyle or sections, and convenience store bargain shoppers, different newspapers, including local and community papers, club publications, newsletters and church bulletins.
   - Mailing lists should be purchased, which targets older individuals with specialised professional, technical experience or with industry-specific certifications or licenses within a zip code location.
   - Radio is a great medium to gain the attention of workers over 50 years. Listener demographics for the station appealing to over 50 markets should be checked.
   - Current employees should be asked for suggestions or referrals regarding how to recruit other older individuals. Work with employee leasing companies, if pension programmes do not promote post-retirement re-employment and think about re-employing retirees that have industry-specific experience.

7. ***Job Design:*** Jobs should be redesigned to assist older employees who develop disabilities owing to the aging process. Organisations that are involved in redesigning jobs and job analysis to please older employees are able to attract and recruit more loyal, stable and dependable employees.

8. ***Retention:*** According to a SHRM/AARP survey, 20 percent of employers and organisations that do have targeted retention programmes stated that their older employees are no longer interested in working anymore. Some older employees choose to retire whereas some need to work for financial reasons, etc. However, there are many old employees who want to continue working provided they are able to meet their personal needs, lifestyles and motivations via scheduling options and other employment conditions.

9. ***Scheduling:*** Several older individuals feel that there are only two options – (1) full-time employment, and (2) retirement, and they want something in the middle. Many organisations offer alternative work arrangements such as phased retirement, job sharing, telecommuting, flex-scheduling, etc. Many employees, both young and old, find these options attractive and flexible, which help them in maintaining a balance between work and personal life.

Some scheduling options that can be considered are given below:

1. Non-traditional part-time work, such as one week on/one week off.
2. Flexible work schedules around a core work period.
3. Job-sharing, which partners an older employee with a younger trainee.
4. Phased retirement, featuring reduced hours over a period, as offered by Cambridge, Mass based Polaroid Corporation and Corning, based in Corning, N.Y.
5. Casual employment programs, such as that offered by Aerospace Corp. of southern California, where skilled retirees work up to 1,000 hours each year without jeopardising their pension benefits.
6. "Rehearsal retirement", providing adults with the chance to work part-time with their employer and offering non-paid hours to a volunteer organisation, such as that offered by Kollmorgen Corporation's Electro-Optical Division in Northampton, Mass.

Voluntary part-time work (V-Time) or traditional part-time work offered by New York state government offices where all employees can work between 70 per cent and 100 per cent of their schedule in five per cent intervals.

Organisational and Employee Development Issues: The aging of the workforce brings exciting challenges to HR professionals working for employee and organisational development. Latest and improved means of knowledge management, training and retraining and career management are significant methods for tackling issues brought up by workforce demographics.

Career Management: Employers required rekindling engagement in employees who are approaching or are eligible for retirement. Several employees who have planned to retire might change their plans because of economic conditions. Employers are required to determine how to keep their older workers from becoming disengaged and disinterested and opting for retirement.

A strategy for countering "retirement in place" is to organise and carry out career management discussions with older employees to find out whether their current role is quite appropriate for them. A voluntary demotion or a lateral move — may be suitable given an employee's ambition, interest and lifestyle choices in career challenges. (The word "demotion" means a reduction in rank or status and has negative implications. To overcome employee resistance, which may be a factor even if the employee prefers to change roles, the use of neutral terms, for example, "repositioning" should be preferred.)

Training and Retraining: The saying, "You can't teach an old dog new tricks" is previously believed to be true for older employees might not be proficient in learning new skills. However, studies that contributed to that thinking were flawed in their design in that they used for latitudinal research techniques comparing groups of school students with groups of older people in nursing homes to determine the decline of cognitive processes during aging. Using longitudinal research models, which follow a control group throughout the aging process, researchers have learned that more advanced levels of cognitive processing actually improve throughout aging. Accordingly, employers are rethinking strategies for training and retraining employees. For example, older learners may prefer a building-block approach to learning because it permits them to increase their self-confidence while building on past learning.

Employers also may need to fine-tune other features of training delivery to make them effective for workers over 50. For example,

- ***Pace:*** Some older adults will learn at a slower pace than their younger counterparts. Accordingly, training should be self-paced.
- ***Seeing:*** Some older adults do not see as clearly as younger adults, so reading small print may be particularly troublesome. Content printed on glossy paper is often difficult to see, as are low-contrast colours such as blues and greens. Accordingly, use training materials with large print—atleast 12 points in size—and high-contrast colours. Hang posters and other training materials at eye-level to support readers who wear bifocals.
- ***Hearing:*** Some older adults do not hear as well as younger adults, especially soft or high-pitched sounds. Trainers should project their voice, speak clearly, reduce ambient noise and encourage hearing-impaired people to sit at the front of the classroom.

Technology: Some older adults — especially those who have been out of the job market — may be unfamiliar with high-tech jargon, certain digital equipment and newer applications. While studies show that older adults can master new high-tech skills, they may fear the unknown and may hesitate to ask for help to avoid being judged. Issues of this nature should be addressed during the on boarding process.

Knowledge Management: When employees retire, they take with them their knowledge of organisational history, customer relationships, evolution of internal processes and other critical information.

Knowledge management strategies for staunching the outflow of institutional knowledge may include everything from retaining older adults, to more sophisticated succession planning, mentoring or job sharing tactics, to documentation, story-telling and communities of practice. For example, some organisations use reverse mentoring or cross-mentoring to keep older workers up to speed on technology issues and younger workers apprised of strategies for career development.

Benefit Issues: The aging of workforce will have an impact on the benefits policies and practices including healthcare, pension plans and care giving.

- ***Healthcare:*** While healthcare costs and usage may be higher for older workers, one study has indicated that this investment may be well worth it.
- ***Retirement Plans:*** Employers may need to redesign defined benefit pension plans to keep older workers working. Planning and designing pension benefits in a manner that does not penalize older workers for accepting reduced work schedules or jobs that pay less may help to keep employees at work.
- ***Social Security:*** At one time, all older workers were penalised for working while receiving Social Security benefits. However, changes in this policy for employees who have reached their full retirement age now permits older workers' to continue to work and receive benefits.
- ***Caregiving:*** Caregiving is an issue for employers dealing with the challenges of an aging workforce. With nearly 30% of all employees serving as caregivers and the proportion rising in the next decade to nearly 50% of the workforce,

employers increasingly need to address the needs of employee caregivers. Caregivers themselves may be older workers.

- ***Caregiving Takes its Toll on Employees:*** Caregivers often experience higher blood pressure, stress-related disorders and a compromised immune system as they deal with complex issues. Employers may provide help with personal care, emotional support, financial matters, legal assistance and transportation through employee assistance programs or other delivery mechanisms. Some employers are offering a sick leave bank, which allows employees to donate unused paid sick leave that in turn are made available to employees in need.
- Employers also need to take care not to engage in unlawful discrimination against employees in connection with their caregiving responsibilities.
- ***Sabbaticals:*** Once offered only in academia, sabbaticals are now being used as an employee benefit in other sectors to avoid employee burnout and enhance performance. AARP, for example, now offers its long-term, high-performance employees the opportunity to take "Renewal"—a four or six - week sabbatical during which the employee can take classes, travel, volunteer or just relax.
- ***Safety and Security Issues:*** Safety issues may need to be addressed in employing older workers. The on-the-job accident rates for older workers is not necessarily higher than their younger counterparts, but employers will need to ensure that safety issues are adequately addressed and consider accommodations or job redesign when presented.

Some tips on testing, recruiting and managing older people.

1. ***Recruitment is the Key:*** Identify candidates, who already share your values, culture and objectives, rather than people you think can grow into the company. Older people have decided what they think and what they're good at; they'll be more difficult to change. Don't rush to offer incentives and bonuses. Older people are self-starting, self-monitoring. As with very creative people, external motivational techniques can turn them off.
2. ***Older People Work Best in Teams:*** But, as with any team, put them together so their roles and personalities fit.
3. ***Avoid Complex Systems:*** For instance, CRM systems often inhibit personal customer service ("I'm afraid the system won't allow me to do that".). Older people add the differentiation: real personal service and the will to go outside systems to get the job done. Set broad parameters and older people will self-regulate.
4. ***Manage from Alongside Especially if you are a Young Manager:*** You won't get an easy ride; if an old person thinks you're not answering the question or evading the issue they'll say so. But, when all is said and done, don't you want people devoted to improving of your organisations rather than yes-sayers after the next promotion?

9.6.3 Minorities and Women

Diversity is strength. Financial experts know that a diversified portfolio is the best way to build wealth, and business experts know that a diverse candidate pool is the best way to build a staff that will provide the maximum performance and results.

Recommendations for recruiting minorities and women are more or less the same as those apply to older workers. The goal of recruiting minorities and women should be taken seriously and executed passionately. While moving forward in this process, it consists of three steps mentioned below:

Understand: First recruiters need to understand the barriers to recruiting minorities and women and prevent them. For instance, sometimes minorities lack in many criteria such as educational background and experience benchmarks but then many companies provide them with such training to fill those gaps. In case of women, the main problem which keeps them lagging behind is lack of a role model and this makes them hesitate to take up the challenging jobs. For instance areas like sales, insurance and financial services. While sometimes the problem with women is macho culture in few organisations such as a retail chain store and sometimes they lack work scheduling due to their family responsibilities towards their children and homes.

Plan: Employer must formulate a recruitment plan when he has recognised the prospective impairments with the help of a diversity employment executive in order to attract the minorities and women. It might include re-assessment of staffing policies, redesigning of jobs, cultivating more flexible work options and proposing flexible plans for benefits.

Implement: Now, comes the time to execute those staffing plans by recruiting the required minority and women staff. Employers can partner with professional groups such as B-schools or specialised job portals. To conclude, when employer truly want to recruit and retain either minority or women employee, he needs to support them, coach them, counsel them and prove them with affirmative reinforcement.

Reservations

In a country like India, jobs are reserved for certain economically and socially weak sections in government and public sector. The percentage has been fixed 7.5 per cent for Scheduled Tribes (ST), 15 per cent for Schedules Castes (SC) and 27 per cent for Other Backward Castes (OBC). The sections to be included in the reservation list are decided by the Government of India. Now, the government is moving forward to encompass private sector as well in the reservation hub.

9.6.4 Disabled

Companies that are proactive about recruiting people with disabilities, companies that proactively do "targeted" recruiting, find that this minority group is quite different from others that they have targeted in the past.

Unlike racial and ethnic minorities, people with disabilities are more difficult to target. They do not as readily congregate in groups. With few exceptions, you are unlikely to find high concentrations of people with disabilities in particular neighbourhoods, churches, cultural organisations, etc. Similarly, particularly on a local level, there are few media sources (magazines, TV programs, radio shows, etc.) that effectively reach a broad audience within the disability community.

A truly successful recruiting program is going to be a multi-faceted one. While there isn't a proscribed "recipe for success", there are many ingredients that are typically a part of the successful programs – and we will describe them here. Which ones choose to use will be determined by your own resources, commitment and creative planning.

Getting Your Bearings

Particularly if you are new to the whole area of recruiting people with disabilities, you are going to want to learn both about the issues that people with disabilities face in the labour market, and the strategies that other employers have used to successfully recruit them.

External Resources

In general, people with disabilities have historically faced a variety of barriers to employment. Because of this, many organisations and services have been established to help individuals surmount those barriers. In your efforts to successfully recruit people with disabilities, it is in your interest to take advantage of these resources. These resources are explained as under:

- ***Community-based Organisations (CBOs):*** CBOs are organisations that provide employment and/or training to people with disabilities. They come in all shapes and sizes and they will have varying capacities to meet your workforce needs. Generally, CBOs also have limited penetration within their disability communities. However, they do provide some of the highest concentrations of disabled job seekers that you are likely to find and they can often provide you with other related services and supports.
- ***Government Agencies:*** Many government agencies, at local, state and national levels, provide services that support people with disabilities in their efforts to secure employment. These can vary from state to state and community to community. Some are more strictly focused on job placement than others.
- ***Educational Institutions:*** Every year, a talented new "crop" of students with disabilities graduate from high schools, colleges and universities. Don't overlook this great source of emerging talent. In a very proactive move, some larger companies have begun to use employees with disabilities to take the lead role in recruiting disabled students.

In addition to direct recruiting, don't neglect Internship opportunities. Internships have proven to be an excellent way to prospect talent and to groom future employees. Make every effort to include students with disabilities in your Internship program. Be sure to explore internship possibilities with all your recruiting contacts for students with disabilities.

- ***Job Fairs:*** In many communities, Job Fairs that target job seekers with disabilities are held annually. These job fairs can give you immediate access to current job seekers. They can give you an opportunity to heighten your profile within the disability community and they give you an opportunity to strengthen your ties to local CBOs. If there isn't such a Job Fair in your community, consider partnering with other companies or CBOs to hold one.
- ***Online Recruiting:*** The Internet has opened a new world of recruiting opportunities for companies, large and small. Take full advantage of the opportunities that it affords you to recruit people with disabilities.

Assuming that you have a "jobs", "careers", and/or "diversity" section on your company's website makes sure that it is "disability friendly" in both format and content. Ask your Webmaster to ensure that your website meets at least minimum standards for web accessibility. Whether through pictures or text, communicate your proactive interest in candidates with disabilities.

If you are using online services to post jobs and/or search resumes, determine whether or not those sites are accessible to people with disabilities and what efforts they make to include people with disabilities in their talent pool.

There are a growing number of recruiting sites on the Internet that help employers to target candidates with disabilities.

Dismantling Attitudinal Barriers: Be mindful of attitudinal barriers in your organisation that can scuttle all your best efforts. "Disability" is an emotionally-charged, misinformation-prone issue.

- 40 per cent of disabled workers report encountering on-the-job discrimination.

- 15 per cent of non-disabled people report discomfort at the prospect of working for, or nearby, a person with a disability.
- 22 per cent of employers report co-worker stereotypes and attitudes a major barrier to employment/advancement of people with disabilities.

Companies that have taken the extra effort to dismantle their own internal reticence and to proactively tap into this labour pool have reaped the rewards - and continue to do so.

Strategies and Resources

Some of the steps that employers can take to acquire these benefits and make sure that people with disabilities are involved in their hiring processes are given below:

- Posting job announcements in disability-related publications such as employment news, job fairs and websites.
- Establishing summer internship and mentoring programmes targeted at young people with disabilities.
- Forming partnerships with disability-related advocacy organisations.
- Contacting career centres at colleges and universities when vacancies arise.
- Including people with disabilities in diversity recruitment goals.

Furthermore, various resources are available to assist employers in hiring talented people with disabilities.

Check Your Progress

Fill in the blanks:

1. The __________ factors are those factors which cannot be controlled by the organisation.
2. __________ means to give a higher position, status, salary and responsibility to the employee.
3. Management consultants are used for selecting ________ level staff.
4. An ________ should be conducted to measure the organisational effect of retirement.
5. The first important task of recruitment function is to frame a recruitment policy which calls for review of __________.
6. Image of the employer can work as a potential constraint for __________.

9.7 LET US SUM UP

- Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. Certain influences restrain (the freedom of) managers while choosing a recruiting source such as: image of the company, attractiveness of the job, internal policies, budgetary support, government policies, etc.
- Recruitment is influenced by a variety of environmental factors – economic, social, technological, political, legal, etc.
- The sources of recruitment may be broadly divided into two categories: internal sources and external sources. Both have their own merits and demerits. A firm

may choose a particular recruiting method such as job posting, employee referral, campus hiring, advertisements, private search firms or internal promotions and transfers, etc., depending on the skills required, the nature of the job and budgetary support, etc.

- The human resources are the most important assets of an organisation. The success or failure of an organisation is largely dependent on the calibre of the people working therein.
- Recruitment process involves a systematic procedure from sourcing the candidates to arranging and conducting of interviews and requires many resources and time. It's a generation that's changing the game and once the word is out, retention woes morph into recruitment challenges there are many new ways and ideas open for the companies for the recruitment nowadays.
- A diverse workforce can provide tangible benefits to a company besides just fulfilling legal compliance and good faith efforts. In fact, as markets expand globally being able to understand and reach out to the individual needs of people from other cultures and regions will be paramount. A multicultural, talented, and trained employee base gives companies that key advantage.

9.8 LESSON END ACTIVITY

What should be considered while evaluating the recruiting efforts of a big departmental store with over 20 branches in key metropolitan cities all over a country?

9.9 KEYWORDS

Recruitment: Recruitment is the process of hiring talented employees for certain jobs by motivating them to apply for those jobs which are available in the organisation.

Competitive Advantage: A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.

Internal Recruitment: It is a recruitment which takes place within the concern or organisation. Internal sources of recruitment are readily available to an organisation.

Internal Advertisement: In this method vacancies in a particular branch are advertised in the notice board.

External Recruitment: The assessment of the current available pool of job candidates, other than existing staff, to ascertain if any are sufficiently skilled or qualified to fill and perform existing job vacancies.

Outsourcing: Outsourcing is the contracting out of an internal business process to a third party organisation.

Poaching/Raiding: Poaching means employing a competent and experienced person already working with another reputed company in the same or different industry; the organisation might be a competitor in the industry.

E-recruitment: E-Recruitment is the use of technology to assist the recruitment process.

Recruitment Policy: The recruitment policy of an organisation specifies the objectives of recruitment and provides a framework for implementation of recruitment program.

Community-based Organisations (CBOs): CBOs are organisations that provide employment and/or training to people with disabilities.

9.10 QUESTIONS FOR DISCUSSION

1. Define recruitment. What are the important recruitment functions?
2. If you were responsible for hiring someone for your job, which recruitment sources would you use? Why? Which recruitment sources would you avoid? Why?
3. Describe briefly the various steps that are involved in hiring human resources in an organisation.
4. What are the various sources of recruitment? How can an organisation evaluate the worth of these sources?
5. List the most important merits and demerits of various sources of recruitment.
6. Discuss recent trends in recruitment.
7. What are the factors affecting recruitment?
8. What factors should be kept in mind by employers while recruiting single parents and older workers?

Check Your Progress: Answers

1. External
2. Promotion
3. Higher
4. Employee survey
5. Manpower requirement
6. E-recruitment

9.11 REFERENCE/ SUGGESTED READINGS

Armstrong, M. (2020). *Armstrong's handbook of human resource management practice* (15th ed.). Kogan Page.

Dessler, G. (2022). *Human resource management* (17th ed.). Pearson Education.

Gupta, C. B. (2019). *Recruitment practices in public and private sectors: A comparative study*. Journal of Human Resources Management, 14(1), 27-43.

Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2021). *Fundamentals of human resource management* (9th ed.). McGraw-Hill Education.

Singh, P., & Jain, A. (2020). *Trends in recruitment: Embracing technology and diversity in the workplace*. International Journal of Business and Management, 16(3), 39-54.

Storey, J. (2018). *New perspectives on human resource management: Recruitment and selection* (4th ed.). Cengage Learning.

Torrington, D., Hall, L., & Taylor, S. (2022). *Recruitment and selection in modern organizations* (11th ed.). Pearson Education.

UNIT 10

SELECTION PROCESS

CONTENTS

10.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Discuss the meaning of selection
- Explain the types of selection test
- Describe the selection procedure
- Discuss the types of selection methods

10.1 INTRODUCTION

Selection is the process of choosing individuals who have relevant qualifications to fill jobs in an organisation. The primary purpose of selection activities is to predict which job applicant will be successful if hired. A test is a standardised, objective measure of a person's behaviour, performance or attitude. The basic objective of intelligence tests is to pick up employees who are alert and quick at learning things so that they can be offered adequate training to improve their skills for the benefit of the organisation. Selection is usually a series of hurdles or steps. Each one must be successfully cleared before the applicant proceeds to the next.

10.2 MEANING OF SELECTION

Selection is a process of differentiating between applicants in order to identify (& hire) those with a greater likelihood of success in a job.

It involves steps leading to employment of persons who possess the ability and qualifications to perform the jobs which have fallen vacant in the organisation. It is basically a matching process that is finding "FIT" between person and job.

Through the process of recruitment the company tries to locate prospective employees and encourages them to apply for vacancies at various levels. Recruiting, thus, provides a pool of applicants for selection. Selection is the process of obtaining and using information about job applicants in order to determine who should be hired for long or short-term positions. To select means to choose. Selection is the process of picking individuals who have relevant qualifications to fill jobs in an organisation. Selecting the wrong employees can lead to all sorts of problems down the line.

Example: Employees may fail to perform their jobs satisfactorily, they may leave soon after being hired because they are simply not a good fit for the company, or they may require extensive training and mentoring, for which you might not have the time to provide.

The basic purpose is to choose the individual who can most successfully perform the job from the pool of qualified candidates. Selection can be defined as the process of choosing the right person for the right job from a pool of different candidates who applied for a certain job. One of the last stages in recruitment and selection is selection itself, which includes the choice of methods by which an employer reduces a shortlisted group following the recruitment stage, leading to an employment decision.

For most people, this is the only visible stage of the resourcing cycle because their experience of it is likely to be as a subject – or candidate – rather than involvement in planning the entire process. While recruitment can be perceived as a positive activity generating an optimum number of job-seekers, selection is inherently negative in that it will probably involve rejection of applicants.

It would be prudent to argue that selection decisions should be based on a range of selection tools as some have poor predictive job ability. While it is almost inconceivable that employment would be offered or accepted without a face-to-face encounter, many organisations still rely almost exclusively on the outcome of interviews to make selection decisions.

Employees who are a good fit for your company, and have the skills and expertise required to do the job for which they are hired, are much more likely to meet expectations and stay in the position for a considerable time. On the other hand, employees who are chosen poorly and lack the previously mentioned qualities will likely be terminated or leave on their own, often soon after hiring. Your company will then be back to square one, trying to fill the empty position, which can be a costly endeavour. Meanwhile, other good employees often suffer because they must take on the duties of the empty position until it is filled once again.

10.3 IMPORTANCE OF SELECTION PROCESS

The success of the organisation depends upon the quality of personnel selected for the job. Thus selection of personnel is the most important function of the personnel management.

The importance of selection may be judged from the following facts.

- ***Procurement of Qualified and Skilled Workers:*** Scientific selection facilitates the procurement of well qualified and skilled workers in the organisation. It is in the interest of the organisation in order to maintain the supremacy over the other competitive firms. Selection of skilled personnel reduces the labour cost and increases the production. Selection of skilled personnel also facilitates the expansion in the size of the business.
- ***Reduced Cost of Training and Development:*** Proper selection of candidates reduces the cost of training because qualified personnel have better grasping power. They can understand the technique of the work better and in no time. Further, the organisation can develop different training programmes for different persons on the basis of their individual differences, thus reducing the lime and cost of training considerably.
- ***Absence of Personnel Problems:*** Proper selection of personnel reduces personnel problems in the organisation. Many problems like labour turnover, absenteeism and monotony shall not be experienced in their severity in the organisation. Labour relations will be better because workers will be fully satisfied by the work. Skilled workers help the management to expand the business and to earn more profits and management in turn compensate the workers with high wages, benefits, etc.

10.4 ESSENTIALS OF SELECTION PROCEDURE

The selection process can be successful if the following requirements are satisfied:

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

10.5 FACTORS AFFECTING SELECTION DECISIONS

The goal of selection is to sort out or eliminate those judged unqualified to meet the job and organisational requirements, whereas the goal of recruitment is to create a large pool of persons available and willing to work. Thus, it is said that recruitment tends to be positive while selection tends to be somewhat negative. A number of factors affect the selection decision of candidates. The important among them are:

- ***Profile Matching:*** Tentative decision regarding the selection of candidates (who are known) is taken in advance. The scores secured by these known candidates in various tests are taken as a standard to decide the success or failure of other candidates at each stage. Normally, the decision about the known candidates is taken at interview stage. Possible care is also taken to match the candidate bio-data with the job specifications.
- ***Organisational and Social Environment:*** Some candidates, who are eminently suitable for the job, may fail as successful employees due to varying organisational and social environment. Hence, candidate specifications must match with not only job specifications but also with organisational and social environmental requirements.

- ***Successive Hurdles:*** In this method, hurdles are created at every stage of selection process. Therefore, applicants must successfully pass each and every screening device in case of successive hurdles.
- ***Multiple Correlations:*** Multiple correlations are based on the assumption that a deficiency in one factor can be counter-balanced by an excess amount of another. The composite test score index is taken into accounting the selection tests. Hence, for broader line cases multiple correlation method is useful and for other successive hurdles method is useful.

10.6 DISTINCTIVE FEATURES OF RECRUITMENT AND SELECTION

Both recruitment and selection are the two phases of the employment process. The differences between the two are:

- Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organisation whereas selection involves the series of steps by which the candidates are screened for choosing the most suitable persons for vacant posts.
- The basic purpose of recruitments is to create a talent pool of candidates to enable the selection of best candidates for the organisation, by attracting more and more employees to apply in the organisation whereas the basic purpose of selection process is to choose the right candidate to fill the various positions in the organisation.
- Recruitment is a positive process i.e., encouraging more and more employees to apply whereas selection is a negative process as it involves rejection of the unsuitable candidates.
- Recruitment is concerned with tapping the sources of human resources whereas selection is concerned with selecting the most suitable candidate through various interviews and tests.
- There is no contract of recruitment established in recruitment whereas selection results in a contract of service between the employer and the selected employee.
- Recruitment is done by the personnel department which consists of staff officers. So recruitment is a staff function whereas selection is done by the particular department which has a vacancy. So selection is a line function.
- Normally, recruitment is not expensive as it mostly involves only advertisement cost whereas selection is very costly. This is because a lot of money is spent on conducting different types of tests, interviews, medical examinations, etc. Similarly, the experts who conduct selection procedure are paid very high fees. This makes selection a very costly process.
- Recruitment is objective in nature whereas selection is subjective in nature. So there are more chances of favouritism and bias in a selection process.
- Recruitment proceeds with a selection. That is, recruitment comes before selection. Recruitment provides the candidates for selection whereas selection follows recruitment. That is, selection comes after recruitment. Selection is done from the candidates who are provided by recruitment.
- Recruitment is a simple process as does not require help from experts whereas selection is a complex process. Experts are required to conduct the test, interviews, etc. Psychologists are required to conduct written tests. Subject experts

are required to conduct interviews. Similarly, Doctors are required to conduct medical check-ups, physical fitness, etc. So different experts are required for different steps in the selection procedure.

10.7 TYPES OF SELECTION TEST

Different selection test are adopted by different organisation depending upon their requirements. These tests are specialised test which have been scientifically tested and hence they are also known as scientific test. Different types of test can be explained with the help of Figure 10.1:

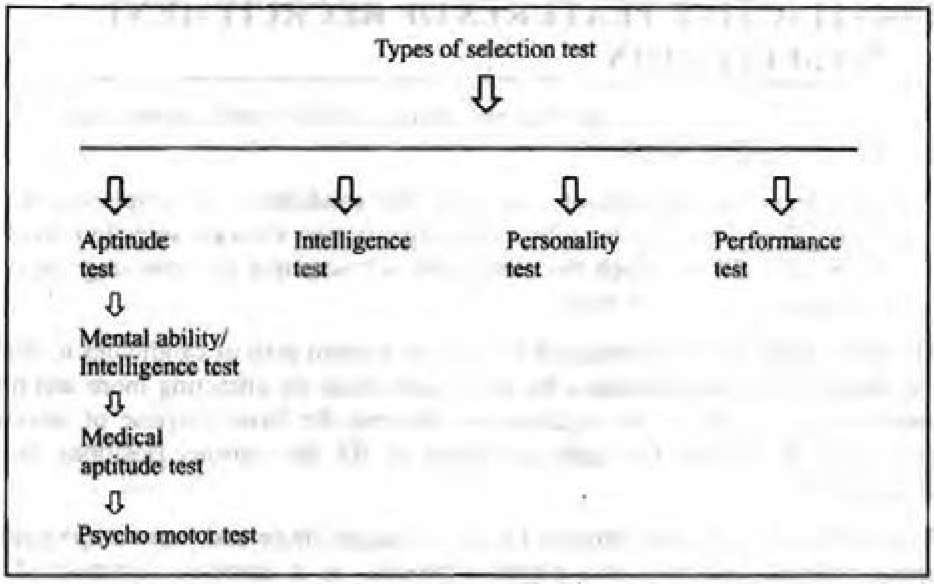


Figure 10.1: Types of Selection Test

The types of selection test are discussed as follows:

1. Aptitude Test

Aptitude tests are test which assess the potential and ability of a candidate. It enables to find out whether the candidate is suitable for the job. Aptitude tests measure an individual's potential to learn certain skills – clerical, mechanical, mathematical, etc. These tests indicate whether or not an individual has the ability to learn a given job quickly and efficiently. In order to recruit efficient office staff, aptitude tests are necessary. Clerical tests, for example, may measure the incumbent's ability to take notes, perceive things correctly and quickly locate things, ensure proper movement of files, etc. Aptitude tests, unfortunately, do not measure on-the-job motivation. That is why, the aptitude test is administered in combination with other tests, like intelligence and personality tests.

The job may be managerial technical or clerical. The different types of aptitude test are the following:

- ***Mental Ability/Mental Intelligence Test:*** This test is used to measure the overall intelligence and intellectual ability of the candidate to deal with problems. It judges the decision making abilities.
- ***Medical Aptitude Test:*** This test deals with the ability of the candidate to do medical work. It is used to judge and measure the specialised knowledge and problem solving ability.

- ***Psycho motor test:*** This test judges the motor skills the hand and eye co-ordination and evaluates the ability to do jobs like packing, quality testing, quality inspection, etc.

2. Intelligence Test

This test measures the numerical skills and reasoning abilities of the candidates. Such abilities become important in decision making. The test consists of logical reasoning ability, data interpretation, comprehension skills and basic language skills. These are mental ability tests. They measure the incumbent's learning ability and also the ability to understand instructions and make judgements. The basic objective of intelligence tests is to pick up employees who are alert and quick at learning things so that they can be offered adequate training to improve their skills for the benefit of the organisation. Intelligence tests do not measure any single trait, but rather several abilities such as memory, vocabulary, verbal fluency, numerical ability, perception, spatial visualisation, etc., Stanford-Binet test, Binet-Simon test, and The Wechsler Adult Intelligence Scale are examples of standard intelligence tests. Some of these tests are increasingly used in competitive examinations while recruiting graduates and post-graduates at entry level management positions in Banking, Insurance and other Financial Services sectors.

3. Personality Test

In this test, the emotional ability or the emotional quotient is tested. This test judges the ability to work in a group, inter personal skills, ability to understand and handle conflicts and judge motivation levels. This test is becoming very popular nowadays. Of all the tests required for selection, personality tests have generated lot of heat and controversy. The definition of personality, methods of measuring personality factors and the relationship between personality factors and actual job criteria has been the subject of much discussion. Researchers have also questioned whether applicants answer all the items truthfully or whether they try to respond in a socially desirable manner. Regardless of these objections, many people still consider personality as an important component of job success.

4. Performance Test

This test judges and evaluates the acquired knowledge and experience of the knowledge and experience of the individual and his speed and accuracy in performing a job. It is used to test performance of typist, data entry operators, etc.

10.8 SELECTION PROCEDURE

The process of selection is not the same in all organisations; it can be different in many organisations depending upon the nature of that organisation. Effective selection can be done only when there is effective matching. By selecting best candidate for the required job, the organisation will get quality performance of employees. Moreover, organisation will face less of absenteeism and employee turnover problems. By selecting right candidate for the required job, organisation will also save time and money. Proper screening of candidates takes place during selection procedure. All the potential candidates who apply for the given job are tested. However, one particular type of selection is approved by most organisations; it can be explained with the help of Figure 10.2.

Process of Selection
↓
Job analysis
↓
Advertisement
↓
Application blank/form
↓
Written test
↓
Interview
↓
Medical examination
↓
Initial job offer
↓
Acceptance/rejection letter
↓
Final offer/letter of appointment
↓
Induction

Figure 10.2: Selection Process

The selection processes are discussed as follows:

Step 1: Job Analysis

The very first step in the selection procedure is the job analysis. The HR department prepares the job description and specification for the jobs which are vacant. This gives details for the jobs which are vacant. This gives details about the name of the job, qualification, qualities required and work conditions, etc.

Step 2: Advertisement

Based on the information collected in step 1, the HR department prepares an advertisement and publishes it in a leading newspaper. The advertisement conveys details about the last date for application, the address to which the application must be sent, etc.

Step 3: Application Blank/Form

Application blank is the application form to be filled by the candidate when he applies for a job in the company. The application blank collects information consisting of the following five parts:

- Personal details
- Educational details
- Work experience
- Family background
- Written test

The applications which have been received are screened by the HR department and those applications which are incomplete are rejected. The other candidates are called for the written test. Arrangement for the written test is looked after the HR department, i.e., question papers, answer papers, examination centres and hall tickets, etc.

Step 5: Interview

Candidates who have successfully cleared the test are called for an interview. The entire responsibility for conducting the interview lies with the HR department, i.e., they look after the panel of interviewers, refreshments, informing candidates, etc.

Step 6: Medical Examination

The candidates who have successfully cleared the interview are asked to take a medical exam. This medical exam may be conducted by the organisation itself (army). The organisation may have a tie up with the hospital or the candidate may be asked to get a certificate from his family doctor.

Step 7: Initial Job Offer

Candidates who successfully clear the medical exam are given an initial job offer by the company stating the details regarding salary, terms of employment, employment bond if any, etc. The candidate is given some time to think over the offer and to accept or reject.

Step 8: Acceptance/Rejection

Candidates who are happy with the offer send their acceptance within a specified time limit to show that they are ready to work with the company.

Step 9: Letter of Appointment/Final Job Offer

Candidates who send their acceptance are given the letter of appointment. The letter will state the name of the job. The salary and other benefits, number of medical leaves and casual leaves, details of employment bond if any, etc. It will also state the date on which the employee is required to start duty in the company.

Step 10: Induction

On the date of joining, the employee is introduced to the company and other employees through an elaborate induction program.

10.9 BARRIERS TO EFFECTIVE SELECTION

The main aim of selection process is to employ individuals who are skilled and committed. This purpose usually gets defeated due to some barriers that affect effective selection process. The obstacles which come in the way of effectiveness of selection are reliability, fairness, perception, pressure and validity.

- ***Reliability:*** A reliable method produces reliable results when repeated frequently in similar circumstances. Just like a validated test, even a reliable test at times may be unable to predict job performance with accuracy.
- ***Fairness:*** Fairness in selection requires the employer to remember that there should be no discrimination on the basis of religion, race, region, or one's gender. The lesser number of women and others from the not-so-privileged sections of the society are employed for the middle, and senior management positions which indicates that the aspect of fairness is not being completely adopted. Also open discrimination is on the basis of age in the selection process and in job advertisements indicates that all the efforts made to reduce inequity are not being very effective.
- ***Perception:*** Inability to know the other individual accurately is an important barrier the employer faces while choosing the right candidate. Selection demands individuals and groups to evaluate and compare the respective capabilities of others for selecting the right candidates for the job. However, one's views maybe

very personalised as every individual perceives the world in a different way. As a result one's limited perceptual capability may negatively affect the rational and impartial selection of the candidates.

- ***Pressure:*** Pressure is brought on the selectors by bureaucrats, relatives, politicians, friends, and peers to choose a particular candidate over the others. Such employees chosen under pressure might not always be the right ones. This pressure is usually dealt with by employers at the time of selection in public sector undertakings.
- ***Validity:*** Validity, as discussed before, is a test to calculate the job performance of an official. A test is validated can distinguish between the employees who can perform well from those who can't. Though, a validated test does not always calculate job success correctly. It only increases one's chance to be successful.
- ***Ineffective Recruitment:*** At times, the selection process might also get affected because of ineffective recruitment initiatives. It is obvious that right candidate might not get selected in selection process if the recruiter is unable to attract qualified candidates at the time of recruitments. Thus, ineffective recruitment certainly influences selection.
- ***Stereotyping:*** This is amongst the most common barriers to selection. In stereotyping, we usually categorise candidates as:
    - All female candidates are mainly honest and sincere.
    - Candidates from the science background are intelligent.
    - All civil servants are boring.
    - All teachers and professors are absent minded.
    - Such categorisation leads to a biased and an unfair selection of candidates.
- ***Gender Issue:*** Gender related issue also obstructs effective selection. In older times, men mainly held managerial positions. If managerial jobs are considered as being masculine in nature, such stereotyping might also produce negative reactions while choosing the right candidates.
- ***Age/Race Issue:*** In various selections, race and age of the candidate are given more importance over the candidate's experience, skills and abilities. This leads to biases while selecting the candidate.
- ***Halo Effect:*** Yet another barrier to selection is the halo effect. This effect can be either positive or negative in nature. In halo effect, the personal characteristics overpower or at times influence the interviewers which might lead to wrong selection.
- ***Quota System:*** Quota system also has an influential impact on effective selection.
- ***Nepotism/Favouritism:*** This is amongst the most common barriers to effective selection in both private and public sectors.
- ***Cost and time:*** At times, the right candidate is not selected due to lack of time and budget.

10.10 TYPES OF SELECTION METHODS

Selection methods are the tools and techniques used to measure a candidate's performance against a position's selection criteria. Following are the types of methods of selection:

1. ***Application Forms:*** Application forms are a means of collecting written information about an applicant's education, work and non-work experiences, both past and present. Almost all organisations request applicants to complete an application form of some type. Application forms typically request information on an applicant's home address, last employer, previous work experience, education, military service, and other information pertinent to employment, such as names and addresses of references. The application form also serves as a guide for the employment interview. Inviting applications by CV makes things easier for applicants, but the resulting tidal wave can be horrendous; trying to sort through a pile of CVs, all with different formats and with widely varying levels of presentation, can be extremely time consuming and can make it difficult to spot the key information.

   Consequently, many organisations have designed their own standard application form. These generally are divided into a number of sections covering areas such as:

   - Knowledge, skills and attitudes
   - Experience
   - Physical criteria.

2. ***Interviews:*** Many people dislike the interview process, both as an interviewee and an interviewer. Although the interview is the most popular form of selection, it is also the least useful in predicting the performance of candidates on the job. Much of the reason that interviews are such a bad predictor is because interviewers simply don't like being in a face-to-face situation where people are asking them for something (in this instance a job), or because they have a total misperception of the interview process.

   Other problems include those people who were appointed to the post on the basis of 'gut feeling' and those who bring their unrecognised and recognised prejudices to the process of selection. Imagine someone who wouldn't appoint short people (too pushy), bearded people (something to hide), people who wear suede shoes (unreliable), people who are too thin (personality problems), and people who are the 'wrong' star sign! Interviews are none the less an important method of exchanging information, but only if they are approached in the right way.

3. ***Group Selection Methods:*** When working with other people is an important part of the selection process, it could be useful to consider a group selection method. This could involve asking a group of candidates to carry out a task and observing the ways in which they interact. The task need not be particularly complicated. It could, for instance, involve the group designing and delivering a presentation on the changing nature of the world of work.

   You could observe the group and look out for the people who seem to demonstrate the sort of qualities that the job requires; those who were verbally skilled, those who showed leadership behaviour, those who mediated when squabbles broke out, etc.

   It is important to tell people what sort of qualities you are looking for before you start such an exercise, as if you do not give clear goals, some potentially viable candidates may try to second-guess you and demonstrate completely untypical behaviours. Where clear goals exist, candidates may also show untypical behaviours, but this is very difficult to do successfully.

4. ***Realistic Job Previews:*** Methods like this are time-consuming and there are serious issues of confidentiality, but if you can screen your shortlist down to two

or three candidates, there's no reason why you shouldn't bring them in and give them a problem to handle.

You do need to make sure that the problem has a clear solution; preferably, it would be a problem that you've already dealt with successfully.

A benefit with realistic job previews is that they can involve more staff in the selection procedure. People tend to work well with candidates whom they have seen and had some say about.

5. ***References:*** Written references have some drawbacks; perhaps someone wants rid of an employee – they certainly won't give a poor reference under those circumstances. Poor references could also turn out to be libellous, although one of the main problems is that people just don't know what you're asking for. The most accurate references may come from face-to-face or telephone interviews with someone who has had direct experience of the candidate's work.

   If you're writing, you could ask for a telephoned reply or say that you will telephone them. Where this isn't possible, enclose a copy of the information that you have collected about the job and ask the referee if the candidate is suitable for this job. To get the best response, allow a decent length of time for reply and do not send a massive form for the referee to complete.

6. ***Assessment Centres:*** An assessment centre will put candidates through a series of tests, exercises and perhaps interviews, lasting, typically, a day. Candidates are observed by a team of assessors, with others acting as facilitators. Tests and exercises are used which are designed to predict how candidates will perform in the workplace. Realistic job previews, lateral thinking exercises, psychometric tests and practical demonstrations are all popular events in an assessment centre.

   Care must be given to select tests that will draw out appropriate skills, knowledge and ability, and assessment must be weighted so demonstration of more desirable attributes wins more 'points' than those that are 'nice to have' but not essential.

7. ***Tests Abilities, Aptitudes, and Skills:*** It is possible that while defining the person specification criteria that some criteria are hard to assess either through the application form or C.V. or via the interview. Tests used for screening applicants on the basis of skills, abilities, and aptitudes can be classified as either paper and pencil tests or job sample tests. Both kinds are scored, and minimum scores are established to screen applicants. The "cut-off" score can be raised or lowered depending on the number of applicants. If selection ratios are low, the cut-off score can be raised, thereby increasing the odds of hiring well-qualified employees. Tests should be selected only after thorough and careful job analysis.

   Example: Examination of a job description for an auto mechanic would probably show that manipulation of parts and pieces relative to one another and the ability to perceive geometric relationships between physical objects were required. These abilities are a part of a construct called mechanical aptitude.

   Various parts of mechanical aptitude can be measured using both paper and pencil or job sample tests. Job sample tests, which require applicants to demonstrate specific job duties can also be used to measure mechanical ability. For example, applicants for a mechanic's job could be asked to locate and fix a number of things wrong with a car or truck. Organisations can develop their own job sample tests. Closely related to job sample tests are job simulation exercises that place an applicant in a simulated job situation to see how well he or she can cope.

   Example: If some IT skills are needed for the posts, such as Access database skills, how will you know that the candidates meet the standard that you are expecting in the job? A candidate can tell you or write down that they have these skills, and even describe how they use the system, but it is hard to be sure. If this is an important part of the role, it may be worth using a test. In this case, the recruitment advisor could assist you in developing a test to be used as part of the shortlisting process, perhaps to reduce a field of 12 candidates to 4 or 5 for interviews.

There are also tests, e.g., numerical reasoning, verbal reasoning, critical thinking, manual dexterity which can be bought off the shelf. We do not currently stock these but can access and deliver them on your behalf.

8. ***Psychometric Tests:*** These are particularly useful if you want to assess candidates for managerial or senior appointments or candidates for appointments where there is a special need for the post – such as strong relationship building skills. These types of test are especially good at assisting with assessing how candidates are likely to behave, for example, towards a manager, towards their peers, and towards their subordinates. They will often provide a profile which should be discussed with the candidate to check validity, as they are self-perception questionnaires. Candidates should also be given feedback on the profile. The profile should be a part of the assessment, contributing perhaps up to 10% towards the final decision. They should be used carefully as they need to be used in the right way by properly trained assessors.

9. ***Presentations:*** Presentations can be used in a variety of ways depending on how they relate to the job description and the normal working practices expected of the post.

   Examples:

   a) For a post which is required to respond to a committee or the public in a very short timescale given a few facts, candidates could be asked to simply arrive early to the interview, be quickly briefed and given half an hour to prepare a 5 minute presentation, and deliver it orally with no supports.

   b) However, if the job requires a person to take time to prepare and deliver lectures of say 45 minutes, they would normally have time to prepare properly, so it would be unreasonable to give them the same task as the one above. They should receive the topic well in advance and have time beforehand to prepare their delivery.

   In assessing presentations, it is important to have the decided on the criteria against which each candidate will be marked. These could include criteria which will also be assessed at interview, but may take on a particular aspect – e.g., communications skills could be assessed in the interview but will be mainly looking at how the person communicates with the panel and gets their points across, as well as how they interact with the members of the panel. In a lecture style presentation, the candidates' communications skills to a large group will be assessed, which is much more formal delivery.

   For the panel of interviewers, it is important that they attend all the presentations if possible. If others are involved in assessing, e.g., an audience for a lecture presentation, then the audience should be allowed to provide their views to the panel to make the process worthwhile. This may be done by asking the audience to e-mail to one person on the panel, giving the audience a framework for their comments. This may not mean specifying all the criteria to them but perhaps asking them to comment on tone, delivery, content, suitability, interest, enthusiasm, etc.

Finally, the panel should be prepared to give feedback on candidates' presentations.

10. ***Other Methods:*** Perhaps the most popular of the other methods available is psychometric testing, which offers actual tests in areas such as intelligence and personality characteristics. These include Raymond Cattell's 16 PF Test, which broadly demonstrates candidates' emotional stability. The Myers Briggs Test is reasonably user-friendly (it's short) and purports to identify people by personality characteristics such as extrovert vs. introvert and thinking vs. feeling.

    Finally, there are selection methods which use samples of candidates' handwriting (graphology), their star sign (astrology) or which select through palmistry. Little evidence exists to support these as adequate predictors of performance.

Check Your Progress

Fill in the blanks:

1. Selection is basically a matching process that is finding __________ between person and job.
2. Proper selection of candidates __________ the cost of training because qualified personnel have better grasping power.
3. __________ are based on the assumption that a deficiency in one factor can be counter-balanced by an excess amount of another.
4. _________ test measures the numerical skills and reasoning abilities of the candidates.
5. The very first step in the selection procedure is the __________.
6. An __________ will put candidates through a series of tests, exercises and perhaps interviews, lasting, typically, a day.

10.11 LET US SUM UP

- The process of recruitment - the company tries to locate prospective employees and encourages them to apply for vacancies at various levels. Recruiting, thus, provides a pool of applicants for selection. Selection can be defined as process of choosing the right person for the right job from a pool of different candidates who applied for a certain job. The success of the organisation depends upon the quality of personnel selected for the job.
- Both recruitment and selection are the two phases of the employment process. Different selection test are adopted by different organisation depending upon their requirements. The process of selection is not the same in all organisations; it can be different in many organisations depending upon the nature of that organisation. Selection methods are the tools and techniques used to measure a candidate's performance against a position's selection criteria.
- Recruitment and the selection of the right candidate is the main function of the human resource department in the organisation. Main objective of the recruitment process is to hire the candidates having competence and commitment. There are certain barriers which affects this objective.

- The goal of selection is to sort out or eliminate those who are judged unqualified to meet the job and organisational requirements, whereas the goal of recruitment is to create a large pool of persons available and willing to work. Different selection test are adopted by different organisation depending upon their requirements. By selecting best candidate for the required job, the organisation will get quality performance of employees. Selection methods are the tools and techniques used to measure a candidate's performance against a position's selection criteria.

10.12 LESSON END ACTIVITY

As jobs become more team oriented, assessment centres will be used more often for management jobs. Do you agree or disagree?

10.13 KEYWORDS

Selection: It is the process of obtaining and using information about job applicants in order to determine who should be hired for long or short-term positions.

Aptitude Test: Aptitude tests are test which assess the potential and ability of a candidate.

Intelligence Test: This test measures the numerical skills and reasoning abilities of the candidates.

Performance Test: This test judges and evaluates the acquired knowledge and experience of the knowledge and experience of the individual and his speed and accuracy in performing a job.

Application Forms: Application forms are a means of collecting written information about an applicant's education, work and non-work experiences, both past and present.

Application Blank: It is a printed form completed by job aspirants detailing their educational background, previous work history and certain personal data.

Reliability: The ability of a selection tool to measure an attribute consistently.

Validity: The relationship between scores on a selection tool and a relevant criterion such as job performance.

Stereotype: It refers to a widely held but fixed and oversimplified image or idea of a particular type of person or thing.

10.14 QUESTIONS FOR DISCUSSION

1. Define selection.
2. What are the factors affecting selection decisions?
3. Discuss the types of selection test.
4. Explain the selection procedure.
5. Elucidate various types of selection methods.
6. Distinguish between recruitment and selection.
7. Discuss the barriers to effective selection of employees.
8. Explain stereotyping as the barrier to effective selection in detail.

Check Your Progress: Answers

1. FIT
2. Reduces
3. Multiple correlations
4. Intelligence
5. Job analysis
6. Assessment centre

10.15 REFERENCE/ SUGGESTED READINGS

Bratton, J., & Gold, J. (2021). *Human resource management: Theory and practice* (7th ed.). Palgrave Macmillan.

Dessler, G. (2022). *Human resource management* (17th ed.). Pearson Education.

Gatewood, R. D., Feild, H. S., & Barrick, M. R. (2020). *Human resource selection* (9th ed.). Cengage Learning.

Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2021). *Fundamentals of human resource management* (9th ed.). McGraw-Hill Education.

Phillips, J. M., & Gully, S. M. (2019). *Strategic staffing* (4th ed.). Pearson Education.

Ployhart, R. E., & Schneider, B. (2018). *Selection in organizations: Revisiting theories and frameworks for modern-day challenges*. Journal of Personnel Psychology, 16(2), 78-92.

Subramanian, S., & Srinivasan, A. (2020). *Barriers to effective selection and the role of selection methods in modern HR practices*. Journal of Human Resource Studies, 15(3), 51-67.

BLOCK IV

UNIT 11

INDUCTION AND PLACEMENT

CONTENTS

11.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Discuss an overview of induction or orientation process
- Explain the types and process of induction
- Describe an overview placement
- Discuss the importance of induction and placement

11.1 INTRODUCTION

After an applicant has been hired, he or she must be oriented and placed on the chosen job. Companies conduct recruitment and selection and finally select employees. The employees undergo an induction program. After the induction program is over the employee is given a specific job in the company. This is called placement. The purpose of this lesson is to enable the students to comprehend basic expressions. At the end of this lesson, you should be able to understand the meaning, importance, types and contents of Induction Programme along with the meaning, significance, principles and problems in Placement.

11.2 INDUCTION OR ORIENTATION PROCESS: AN OVERVIEW

Once an employee is selected and placed on an appropriate job, the process of familiarizing him with the job and the organisation is known as induction. Induction is the process of receiving and welcoming an employee when he first joins the company and giving him basic information that he needs to settle down quickly and happily and starts work. Induction refers to the introduction of a person to the job and the organisation. The purpose is to make the employee feel at home and develop a sense of pride in the organisation and commitment to the job. The induction process is also envisaged to indoctrinate, orient, acclimatise and acculturate the person to the job and the organisation.

Induction can be defined as a process of introducing the employee who is newly elected to the organisation. When an employee is given a letter of appointment he joins the company on duty. The very first thing that the company does is, introduces the new employee to the organisation and people working there. An induction program may be conducted at a particular centre for all employees or at different places (branches of the company) for different employees. Normally, the new employee is called together to the staff training college for the induction program.

Induction = Orientation

Induction also called orientation is designed to provide new employees with the information needed to function comfortably and effectively in the organisation. Typically, socialisation conveys three types of information:

- General information about the daily work routine;
- A review of the organisation's history, purpose operations and products or services, as well as a sense of how the employee's job contributes to the organisation's needs; and
- A detailed presentation (perhaps in a brochure) of the organisation's policies, work rules and employee benefits.

The induction starts with an introduction secession about the company, number of branches, a brief history of the company, number of products, number of countries operating in, organisational structure, culture, values, beliefs, the names of top management personnel, etc. Apart from this introductory secession there will be other secessions also like secessions on behavioural science, soft skill training, secessions on giving details about the job, salary, bonus, information about different leaves that can be taken by the employee about upward mobility in the organisation, etc. There are different ways in which secessions can be conducted, i.e., using lecture method, PowerPoint presentation, group discussion, psychological test, roll play secessions, etc.

The induction program concludes with the employee reporting for duty at his respective branch after induction. When he reports for duty the senior most people in the branch takes the new employee around the office and introduces to all other employees and gives information about the working of the branch. The senior people regularly stay in touch with the new employee in the first week so that he can make the new employee comfortable and help him to adjust to the company. After this, the company may start a training program for the new employee.

The basic thrust of induction training during the first one or few weeks after a person joins service in the organisation is to:

- Introduce the person to the people with whom he works,
- Make him aware of the general company policies that apply to him as also the specific work situation and requirements,
- Answer any questions and clarify any doubts that the person may have about the job and the organisation, and
- Provide on-the-job instructions, check back periodically how the person is doing and offer help, if required.

While the HR staff may provide general orientation relating to the organisation, the immediate supervisor should take the responsibility for specific orientation relating to the job and work-unit members. The follow-up of orientation is to be coordinated by both the HR department and the supervisor with a view mainly to obtain feedback and provide guidance and counselling as required. Proper induction would enable the employee to get off to a good start and to develop his overall effectiveness on the job and enhance his potential.

Induction Training is vital for new hires. A well conducted induction ensures new hires are retained, and then settled in speedily and comfortably way in a constructive role. Induction training is about the basics that seasoned employees take for granted: shift timings, holiday routine, casual/sick leave policy, location of the cafeteria, dress code, etc. New employees also need to understand the organisation's goals, values and philosophy; personnel practices, and of course the job they're required to do. This is also a time to establish clear foundations and expectations in terms of ethics, integrity, corporate social responsibility, and all the other converging theories in this area that are the bedrock of all responsible modern enterprises. Professionally organised and delivered induction training is your new employees' first proper impression of you and your enterprise; this makes it an ideal occasion to reinforce their decision to come and work for you.

Now imagine conducting induction training every time you hire someone; and if current employee turnover rates are anything to go by, then you will be inducting some new hires every week, if not everyday! If induction is carried out in the traditional manner then you end up investing considerable time and human capital; draining your resources unnecessarily. Blue Apple offers software that automates the entire induction training process; the interface is user-friendly and intuitive, putting the user at ease immediately. With this software in place, induction training can be conducted for individuals or groups on demand and online; eliminating the need for manager's to disrupt their daily routine and conduct induction personally. Conversely it adds to the comfort of the new employee, by providing information on demand and as often as required.

11.2.1 Objectives of Induction Programme

General objectives of such a programme normally are:

- To introduce new employees with the organisational environment, exposing them to the mission, history and traditions of the organisation, its achievements and future challenges, its personnel policy and expectations from the new employees.
- To create a positive attitude in the minds of the new employees.

- To create proper awareness in the new employees, enabling them to understand the business of the organisation.
- To provide opportunity to interact with other fellow employees and also with other managerial employees of the organisation.

A good induction programme should contain the following areas which are conveniently distributed under organisation's point of view and employee's point of view.

Organisation's Point of View

- History, mission, objectives and philosophy of the organisation.
- Its product, production process, operations involved, state of technology.
- Its past achievements, present status and future growth plan.
- Structure of the organisation and the functions of different departments.
- Delegation of authority and decision-making process.
- Personnel policies, other miscellaneous policies, practices and regulations.
- Job descriptions and responsibilities.
- Expectations from new employees.

Employee's Point of View

- Job responsibilities.
- Office procedures.
- Grievance handling procedures.
- Salary and perks.
- Service rules governing hours of work, overtime.
- Rules covering probation, confirmation, promotion opportunities, transfer, etc.
- Retirement and superannuation benefits.
- Employee services and welfare activities.
- Employee's participation in small group activities, question schemes.
- Performance evaluation.

11.2.2 Nature of Induction Programme

The induction program is the crucial part of on-boarding new hire to the organisation. The new employee is expensive resource. The organisation needs to reach the standard performance levels. It needs to utilise the value added of the new hire. The goal of the induction program is in achieving the standard performance levels quickly by providing basic training, mentoring and regular feedback during the induction period. The induction program adapts the new employee.

The high-performing organisations focus on the quick adaptation of the new employee. They recognise the importance of high performance, and they build processes and procedures to adapt new hires quickly. They teach new employees the basics of the corporate culture, the main decision lines and basic performance expectations.

The induction process does not start on the first day at the new workplace. The induction program should start before the start date. The company should inform the new hire about the details of the job and it should provide basic materials about the company, the company structure and the corporate culture. The new hire should be ready for challenges before the real work begins.

The induction program is not just the "Induction Day". The training for new hires is traditional, and most organisations run them. The Induction Day is critical as new hires receive the basic set of information about the company, the company procedures and basic expectations. The new hires sign all the necessary documents, and they pass training, which are obligatory from a law. The induction program is a long-term process. It lasts several months, not several days.

The induction program is about the cooperation of the line manager, new hire and Human Resources. HR provides tools for the manager to adapt the new hire in the team quickly. HR is responsible for the recruitment process. HR is responsible for facilitating managers to adapt new employees quickly.

The induction program is not a second round of the selection procedure. The main goal of the induction is in reaching the standards as soon as possible. Most new hires should absolve the induction successfully. The manager cannot take the induction program as the second round of job interviews.

The induction program sets the basic communication channels in the beginning of employment and makes the adaption of the new comer easier. The new employee has a chance to speak with the dedicated mentor and has a chance to discuss proposed solutions.

The induction program is an efficient tool to increase the performance of new hires. The highly performing organisation is less sensible to the natural fluctuation of employees than the organisation without the induction of new employees.

11.2.3 Advantages of Induction Programme

The advantages of formal induction are as follows:

- Induction helps to build up a two-way channel of communication between management and workers.
- Proper induction facilitates informal relation and team work among employee.
- Effective induction helps to integrate the new employee into the organisation and to develop a sense of belonging.
- Induction helps to develop good relation.
- A formal induction programme proves that the company is taking interest in getting him off to good start.
- Proper induction reduces employee grievances, absenteeism and labour turnover.
- Induction is helpful in supplying information concerning the organisation, the job and employee welfare facilities.

11.2.4 Disadvantages of Induction Programme

Improper induction can cost your organisation by resulting in poor employee retention.

- *Employee Orientation:* Every member of the human resources team should play a role in developing new employee orientation. The compensation and benefits specialist presents a section that addresses his role in the department, how employees are compensated, withholding status, health care benefits and retirement savings programs. Likewise, human resources presentations on matters such as workplace safety, recruitment, promotion and selection, and how to report workplace concerns must be included in an orientation program. The disadvantages of presenting such a thorough orientation session are preparation and staff time, which is particularly costly for employers who frequently hire large numbers of employees.

- ***Scheduling:*** When employers hire several new employees within a short period of time, they might want to save time and money by conducting orientation for the entire group instead of one or two new employees at a time. Scheduling challenges can arise from attempting to coordinate the schedules of hire dates and the corresponding orientation dates and times. In addition, if a department is already short-staffed, managers may need new employees to assume their duties and responsibilities before they have a chance to finish orientation. The disadvantage is that an employee must begin her job duties before learning as much as possible about the company's philosophy and business practices.
- ***Location:*** Orientation sessions should be conducted in a conference room situated away from busy work areas to prevent disruptions during class. Human resources staff can be at a disadvantage while trying to find a suitable area where the new employees can devote their full attention to the presentations and not be distracted by operations in a fast-paced working environment, unless the organisation has a classroom or conference that can be specifically dedicated to orientation for several hours or several days.
- ***Online Orientation:*** While many employers offer self-service, online orientation to maximize resources, technology use and minimise staff time, the disadvantage to learning about a new employer online is that it depersonalizes the process. New employees want to learn face-to-face, and put faces with names of people and their roles within the company. Online orientation presentations also pose challenges for employees whose computer skills are minimal or non-existent. This can certainly cause frustration for new hires, which causes the beginning of the employment relationship to be on a shaky foundation.

  Example: If an employee feels confused or lost after her induction process, she may or may not ask for help depending on her personality. In this situation, she may either make mistakes until she gets protocol right, or may take co-workers away from their work to train her with each problem versus being trained before beginning work. This creates a disadvantage in terms of employee efficiency, which may translate into poor company productivity.
- ***Limited Information:*** Workplace rules, policies and guidelines change over time, especially for companies in the growth stage of their business. When these changes occur, employers revise the employee handbooks and distribute them to their workforce. Orientation for new employees is great, but an even better system would be to provide refresher training on the company's mission and values as they develop throughout the company's growth. The disadvantage of orientation programs is that they limit the information presented to new employees, and neglect to keep employees informed of organisational changes that may have been discussed during the initial orientation sessions. Preventing this disadvantage requires employers to maintain open communication lines with employees instead of relying on orientation to be the only introduction an employee has to understand the company's philosophy and vision.

11.3 INDUCTION PROCESS

An induction programme essentially involves the following steps:

- Recruitment
- Pre-employment

- First day
- First week
- First month
- End of probation period
- Evaluation

1. ***Recruitment (including the Selection Interview):*** The nature of the job, its role and key responsibilities should be covered in the job description and explained in the selection interview. You may also consider sharing some or all of the information listed below to give a real insight into the structure and culture of the organisation, behaviours and standards expected and future plans/intentions:
   - Organisation, department and/or team structure chart.
   - Organisation, department and/or team vision statement, aim, goals, objectives, etc.
   - Organisation, department and/or team competency framework/appraisal system
   - Employment terms and conditions, e.g., hours of work, holidays, sick pay policy, salary, benefits, etc.
2. ***Pre-employment:*** All new employees should receive a formal offer letter together with an employment contract. As well as this information you should also advise new employees to look at the 'new employees' web page for further information. Other forms, e.g., bank details, etc. should be completed by the new employee prior to starting by printing off and sending into HR. Alternatively you will need to make sure all new employees have access to these forms on Day One of their employment.

   You may also feel it necessary to send joining instructions giving the following information by phone or e-mail:
   - Where and when to report
   - Who will meet them
   - A map, transport and car parking instructions
   - What else to bring, e.g., tools, special clothing, packed lunch, etc.
3. ***Preparing the Programme:*** The content of individual induction programmes will vary according to the needs of the individual. New employees may fall into one or more groups, for example,
   - School-leavers/skill-seekers
   - Graduates
   - Long-term unemployed
   - People with disabilities
   - Experienced individuals changing jobs either within or from outside the organisation
   - Shift workers
   - Internal employees moving department

Each group will have different needs and therefore induction programmes should be designed with this in mind. Also consider those people with special needs, i.e., with disabilities, or very young people who will perhaps have limited, if any, experience of working life. Induction programmes for certain jobs or roles should also take into account factors such as health and safety rules and regulations.

New employees will have a considerable amount of information to absorb when starting their new role. Try to divide the induction programme into subjects or areas of responsibility enabling the individual to build up their knowledge gradually, preventing confusion or overload.

4. *First Day:* New starters will doubtless be nervous and even apprehensive on their first day. It is important that they are made to feel welcome and given time to assimilate to their new environment and colleagues. They should be:

    - Met and introduced to their team colleagues.
    - Given a tour of the building(s) or workplace, pointing out toilets and restaurant facilities, etc.
    - Talked through their induction programme and timetable (see link above or on website).
    - Satisfied that all necessary paperwork has been completed and received.

5. *First Week:* With all new employees, explain and discuss the key aspects of their job, the goals and objectives of their immediate team and how they in turn contribute to the objectives of the organisation. This is likely to involve them being introduced to members of other teams and/or departments, and visits to other offices and/or locations.

    At the end of the first week, managers should determine how new employees are settling in and:

    - Review the induction programme and assess the understanding of the information provided at this point.
    - Agree how to clarify or revisit any areas where understanding is confused or inadequate.
    - Explain what is expected in subsequent weeks.
    - Ask for feedback from the employee on how they are feeling and if they feel they have the right amount of support.

6. *First Month:* By the end of the first month, you should aim to have drafted some personal objectives to give them clear direction and focus. You may also start compiling ideas for a personal development plan. The plan would include areas in which they have shown limited knowledge and/or skill during the induction so far.

    You should solicit feedback from the people who have been involved in the induction process and use it to assess the new employee's progress. If you have any concerns regarding their performance or ability, you should address them at the earliest opportunity. Often, new starters simply need greater clarity or reminding of certain key requirements.

7. *Evaluation:* It is important to constantly evaluate your processes and procedures to check that they are effective. Ask yourself whether the induction programme met its objectives and whether adjustments are needed. You should also solicit feedback from the new employee on improvements that could be made to improve the induction process and also if there is any further support that they need at this stage.

11.4 CONTENTS OF INDUCTION PROGRAMME

The aim of an induction programme is to make sure that new employees are given all the help and guidance they need for them to do their job to the required standard as soon as possible. Human Resources need to prepare the attractive Induction Program for new hires. The Induction Program brings new hires into the organisation. The new hires build their relationship with the organisation and the attractive content on the induction program helps to build the positive image. The new hires do not build the relationship just on the basis of the job content. The emotions are extremely valuable, as well. The induction program has to provoke the positive emotions.

The induction program should last several months and it should begin before the start date. The new hire does not feel as the member of the organisation from the first day. The newcomer needs time to learn the corporate culture, build the network of informal friends and recognise the importance of formal processes.

The ideal structure of the Induction Program is:

Stage 1: Welcome Pack or Pre-arrival

HR should not forget to send the Welcome Pack for the New Hires. The welcome pack should be sent before the start date. It informs the new employee about the corporate culture, corporate values and necessary documentation. The welcome pack includes the engaging information about the company and its internal processes. The new hires want to know more about the company and the welcome pack should answer their questions. The welcome pack can include the specific website address, which helps to connect new hires. However, before the new member of staff arrives there is an opportunity to commence communication at a more local level and to plan the induction programme so that it runs smoothly throughout.

Example: Information such as organisation charts may be sent out in advance.

Stage 2: Induction Day or First day

The Induction Day is the formal training for the new employees. They receive the same information at once. Many organisations make the Induction Day extremely frustrating. It consists from a number of different presentations, and it does not bring the value added. Each company tries to bring the new and better Induction Day. It is a mission impossible. It is better focus on the rest of the Induction Program. This should essentially be a welcoming day to allay any fears. It is a chance to meet and greet the team. The overall induction programme and timetable should be discussed. Only essential information should be given at this stage so the person does not feel overloaded. Staff should be told about the organisation Welcome Day and this date booked out in their diaries.

Stage 3: Goals for the Induction Period

The goals for the induction period are extremely influential. The new hire does receive the challenges for the initial period of employment. Many new hires are not productive from the beginning. The initial goals help them to orientate in the organisation. The goals push them to find the right contacts.

Stage 4: First Week

Further information should be given. There should be a chance to explain and discuss the key aspects of the job, the goals and objectives of the immediate team and how they in turn contribute to the University's objectives. A review should be held at the end of the week to assess understanding and clarify any outstanding matters.

Stage 5: First Month

Personal objectives should have been drafted and a personal development plan covering learning needs should be compiled and relevant courses booked. Feedback from others involved in the induction may be helpful to inform this process. A review of progress should be held.

Stage 6: Meeting Plan

The manager should set up the regular meeting plan of the new hire with the rest of the team and other influential people for the job. The manager has contacts and understands the roles and responsibilities of the new employee. The manager can schedule initial meetings to know each other. The manager should choose the informal mentor for the new employee.

Stage 7: Probation

Depending on the length of probation, regular formal reviews of progress should be built in to ensure things stay focussed and on track so that probation can be successfully completed and the appointment confirmed. A written record should be kept. Any performance issues should be quickly communicated and addressed.

Stage 8: Evaluation

The purpose of the evaluation is to see how the employee is settling in and to raise any issues. Both the new employee's and the manager's perspectives should be discussed. All continuing and fixed term employees are subject to an evaluation period which is used to assess a staff member's suitability for the position. The manager is responsible for monitoring the probation period.

All continuing and fixed term staff employed for more than a fixed period is required to meet with their manager to articulate goals, and review and recognise performance. The staff member is required to complete a Work Plan with their manager and meet again for review and further planning at least annually.

11.5 TYPES OF INDUCTION

Basically, there are two types of inductions as shown in Figure 11.1.

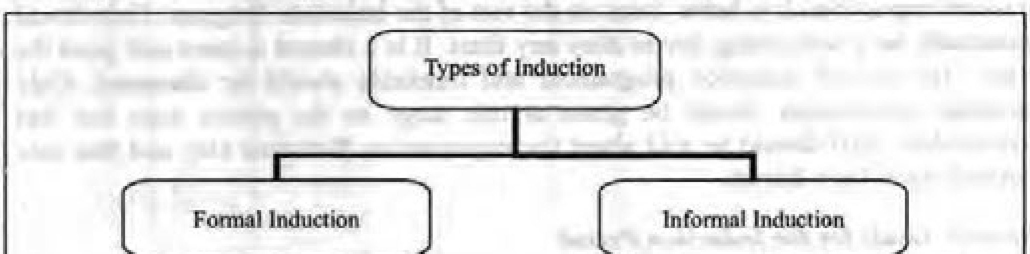


Figure 11.1: Types of Inductions

1. ***Formal Induction:*** Formal induction is a planned attempt to introduce new employees to the organisation, job and the working environment. This induction type may consume more time of the superiors to learn and deliver the new employees needs at the beginning. But this may create new employees less number of errors at the working period and good coordination among all the parties. At this type of program, new employee may get to know, who are the

most experienced person to have the solution of the particular problem new employee might have. At the very beginning new employees are having lots of questions as same as kids at small ages. That is full normal thing and common thing, because the new employee needs to get know all the things, he may actually needs or not. CEO, GM, Section/Department Heads, Senior Managers, and Line Managers may involve in to the formal induction program (from top management to bottom line). This will deliver fundamental things that new employees need to know. Advantage of the formal induction program is that the organisation will have a better chance to win the new employees' loyalty at the very beginning. And also new employee will have the chance to carry his/her works clearly, with less numbers of errors. Also, new employee will fit to the organisational culture and the work group easily, and strongly.

2. ***Informal Induction:*** Informal induction is not planned and is ad hock. New employees learn through trial and error method. They get familiar with the work and work environment by themselves. This induction type will make the stress on new employee at the very beginning, because of his/her not knowing things at the operations. So in that case, new employee may leave the organisation at the beginning and then the organisation may need to follow all the process of recruiting and new employee to the organisation. Also, this method will create a large number of errors making by new employee and then it may create big losses to the organisation. Those are the disadvantages of informal induction program. The advantage of informal induction is, if the new employee survived, then he/she may know the process by his/her experience, and the later on errors may minimise. But at the beginning the vice versa thing of above advantage may create loses, if the new employee unable to survive at the organisation.

11.6 PLACEMENT: AN OVERVIEW

Placement is a process of assigning a specific job to each of the selected candidates. It involves assigning a specific rank and responsibility to an individual. It implies matching the requirements of a job with the qualifications of the candidate. Placement refers to assigning rank and responsibility to an individual, identifying him with a particular job. If the person adjusts to the job and continues to perform per expectations, it means that the candidate is properly placed. However, if the candidate is seen to have problems in adjusting himself to the job, the supervisor must find out whether the person is properly placed as per the latter's aptitude and potential. Usually, placement problems arise out of wrong selection or improper placement or both. Therefore, organisations need to constantly review cases of employees below expectations/potential and employee related problems such as turnover, absenteeism, accidents etc., and assesses how far they are related to inappropriate placement decisions and remedy the situation without delay.

Placement basically refers to the system of assessment and selection by which vacancies are filled by staff serving in an organisation. Placement can also be defined as the internal filling of vacancies as distinguished from external recruitment. Placement is a process of assigning a specific job to each of the selected candidates. It involves assigning a specific rank and responsibility to an individual. It implies matching the requirements of a job with the qualifications of the candidate.

Placements are also important for employment agencies, especially executive search firms, a type of employment agency that specialises in recruiting executive personnel for companies in various industries. Executive search agents/professionals usually have a wide range of personal contacts within the area in question, and a detailed specific knowledge of said area, and typically operate at the most senior level. Executive search professionals are also involved throughout more of the hiring process, conducting detailed interviews as well as only presenting candidates to clients where they feel the candidate in question will fit into the employment culture of the client. Compensation methods for recruiters specialising in direct hire placements fall into two broad categories; contingent and retained. Retained recruiters present opportunities and oversee the interview and placement process for their clients. The contingent recruiter can earn as much as 10% - 35% of the candidate's first year base salary or total remuneration as a hiring fee.

Placement is highly significant in the HR process because it improves employee morale, helps in reducing employee turnover, reduces absenteeism, and reduces accident rates, as well in avoiding a misfit between the candidate and the job. It helps the candidate to work as per the predetermined objectives of the organisation. Usually, the placement process starts after an applicant is selected, the offer is made to him and it is accepted. Once an employee is selected and placed on an appropriate job, the process of familiarising him with the job and the organisation is known as Induction.

11.6.1 Significance of Placement

The significances of placement are as follows:

- It improves employee morale.
- It helps in reducing employee turnover.
- It helps in reducing absenteeism.
- It helps in reducing accident rates.
- It avoids misfit between the candidate and the job.
- It helps the candidate to work as per the predetermined objectives of the organisation.

11.6.2 Nature of Placement

After the employee is hired and oriented, he/she must be placed in his/her right job. Placement is understood as the allocation of people to the job. It is assignment or re-assignment of an employee to a new or different job. Placement includes initial assignment of new employees and promotion, transfer or demotion of present employees. The placement is arising out of promotion, transfer, demotion, etc. Assignment of new employee to a job apparently seems to be simple task. The employer advertises inviting applications from candidates for a specific post.

The advertisement contains job description and job specifications in detail. When a candidate has been selected, it is logical that individual is placed in a position that was advertised earlier. But the task of placement is not that simple it appears. Times are changing. All these factors are causing organisations and individuals to determine the placement process more closely. We are entering the age when applicants must be considered for several jobs rather than one. From the managerial perspective, the task is to understand and capitalise on each person's individually. Since, human attributes vary along many relatively independent ability, interest, biographical sketch and the personality dimensions, a person's individuality is best viewed as his/her unique profile of scores on a variety of individual measures.

Once we establish a unique profile for each individual, people and jobs can be matched optimally within the constraints set by available jobs and available people. If the number of individuals is large in relation to the available jobs, only the best qualified persons can be selected and placed. On the other hand, when more jobs are available, optimal placement is possible. Thus, the number of people and the number of jobs determine the placement process in any organisation.

11.6.3 Principles of Placement

A few basic principles should be followed at the time of placement of workers on the job. This is elaborated below:

- Man should be placed on the job according to the requirements of the job. The job should not be adjusted according to the qualifications or requirements of the man. Job first; man next, should be the principle of the placement.
- The job should be offered to the person according to his qualification. This should neither be higher nor lower than the qualification.
- The employee should be made conversant with the working conditions prevailing in the organisation and all things relating to the job. He should also be made aware of the penalties if he commits the wrong.
- While introducing the job to the new employees, an effort should be made to develop a sense of loyalty and cooperation in him so that he may realise his responsibility better towards the job and the organisation.
- The placement should be ready before the joining date of the newly selected person.
- The placement in the initial period may be temporary as changes are likely to occur after the completion of training. The employee may be later transferred to the job where he can do better.

Proper placement helps to improve the employees' morale. The capacity of the employees can be utilised fully. The right placement also reduces labour turnover, absenteeism and aiso the accident rate. The employee can adjust to the required environment of the organisation effectively and the performance of the employee will not be hampered.

11.6.4 Problems of the Placement

The difficulty with placement is that we tend to look at the individual but not at the job. Often, the individual does not work independent of others. Whether the employee works independent of others or is dependent depends on the types of jobs. Jobs in this context can be classified into the three categories:

- Independent Jobs (in such activities of one worker have little bearing on the activities of the other workers, here the placement is simple to conduct): In the independent jobs, the non-overlapping territories are allocated to each employee e.g., in the sales. In such situations, the activities of the one employee have little bearing on the activities of the other workers. The independent jobs do not pose great problems in placement. Each employee has to be evaluated between his capabilities and the interests and those required on the job. The objective of the placement will be to fill the job with people who have atleast the minimum required qualifications. People should be placed on the job that will make the best possible use of their talents, given available job or HR constraints.
- Sequential Jobs (activities of the workers are dependent on activities of fellow worker example, assembly line sequential jobs): The dependent jobs may be sequential or pooled. In sequential jobs, the activities of the one employee are dependent on the activities of the fellow employee e.g., assembly lines are the best example of such job.
- Pooled Jobs: Here, the jobs are high degree of interdependence among activities. The final output of is the result of contribution of all workers. It is team work which matters. Placement for this is quite difficult.

11.7 IMPORTANCE OF INDUCTION AND PLACEMENT

Common use of higher technology, increased level of knowledge and skills of the new job entrants, production restructuring and flexibility coupled with perceptive change about human resource, which is now considered as most important resource of an organisation, have now transformed labour as an item for competitive sale and purchase. However, despite the problem of unemployment in India, there still exists dearth of knowledge and skilled workers and so also executives and managers. The recent economic liberalisation programme of the Government of India has now paved the way for entry of multinationals and foreign companies. Market globalisation has further intensified the competition. Development of total quality management philosophy, inter alia, is also demanding sea change in product and service-mix of an organisation. All these together have now increased the scope for job mobility for employees with knowledge and skills of appropriate type and degree.

Unfortunately, retaining employees after recruitment and selection is an utterly neglected area in Indian corporate sector. Many organisations spend several lakhs of rupees in terms of job advertisement, conducting tests and interviews, hiring the services of consultants and psychologists, etc., for selecting a managerial employee. A weak induction programme, without adequate emphasis on building confidence and sense of belongingness in the minds of the new employees, results in quick separation, so also wastage of colossal sum of money for the organisation. Such experience is quite common in public sector units. Very recently a leading Tata organisation has lost few hundreds of their young engineers and professionals, who left *en masse* to join elsewhere.

Some organisations, on the contrary, do not review the progress of new employees, who become permanent automatically after completion of their probationary tenure, despite them being unproductive. Thus, a good induction and placement programme needs to ensure employees' retention by keeping their motivation high, while at the same time, getting rid of the unproductive employees within the organisations.

Most organisations put new recruits on probation for a given period of time, after which their services are confirmed. During this period, the performance of the probationer is closely monitored. If the new recruit fails to adjust himself to the job and turns out poor performance, the organisation may consider his name for placement elsewhere. Such second placement is called differential placement.

A typical formal orientation programme may last a day or less in most organisations. During this time, the new employee is provided with information about the company, its history, its current position the benefits for which he is eligible, leave rules, rest periods, etc. Also covered are the more routine things a newcomer must learn, such as the location of the rest rooms, break rooms, parking spaces, cafeteria, etc. In some organisations all this is done informally by attaching new employees to their seniors, who provide guidance on the above matters. Lectures, handbooks, films, groups, seminars are also provided to new employees so that they can settle down quickly and resume the work.

Induction is a necessary part of the selection process. It is essential because the newcomer may feel insecure, shy, nervous and frustrated. Absence of information, lack of knowledge about new environment, behavioural variations complicate the matters further. Induction helps the employees to gain acquaintance with the colleagues.

Check Your Progress

Fill in the blanks:

1. _________ refers to the introduction of a person to the job and the organisation.
2. The follow-up of orientation is to be coordinated by both the ________department.
3. The induction program is not a second round of the ________ procedure.
4. _________ presentations also pose challenges for employees whose computer skills are minimal or non-existent.
5. The new hires do not build the relationship just on the basis of the __________.
6. _________ induction is not planned and is ad hock.

11.8 LET US SUM UP

- Once the candidates are selected for the required job, they have to be fitted as per the qualifications. Placement is said to be the process of fitting the selected person at the right job or place, i.e., fitting square pegs in square holes and round pegs in round holes. Once he is fitted into the job, he is given the activities he has to perform and also told about his duties. The freshly appointed candidates are then given orientation in order to familiarise and introduce the company to him.
- In short, during orientation employees are made aware about the mission and vision of the organisation, the nature of operation of the organisation, policies and programmes of the organisation. The main aim of conducting orientation is to build up confidence, morale and trust of the employee in the new organisation, so that he becomes a productive and an efficient employee of the organisation and contributes to the organisational success. The nature of orientation program varies with the organisational size, i.e., smaller the organisation the more informal is the orientation and larger the organisation more formalized is the orientation programme.
- Proper placement of employees will lower the chances of employee's absenteeism. The employees will be more satisfied and contended with their work. Proper placement helps to improve the employees' morale. Placement is highly significant in the HR process because it improves employee morale, helps in reducing employee turnover, reduces absenteeism, and reduces accident rates, as well in avoiding a misfit between the candidate and the job. Placements are also important for employment agencies, especially executive search firms, a type of employment agency that specialises in recruiting executive personnel for companies in various industries. Organisations need to constantly review cases of employees below expectations/potential and employee related problems such as turnover, absenteeism, accidents, etc., and assessees how far they are related to inappropriate placement decisions and remedy the situation without delay.

11.9 LESSON END ACTIVITY

"If the employees are properly selected, there should be no need for an orientation programme". Give your viewpoint.

11.10 KEYWORDS

Induction: Induction is the process of receiving and welcoming an employee when he first joins the company and giving him basic information he needs to settle down quickly and happily and stars work.

Counselling: Counselling is the means by which one person helps another through purposeful conversation.

Labour Turnover: A measure of a company's or industry's employment stability expressed as a percent that compares the number of employees that leave an employer, voluntarily or involuntarily, to the number of existing employees during a 12 month period.

Line Manager: A manager who heads a revenue-generating department and is responsible for achieving an organisation's main objectives by executing functions such as policy making, target setting, decision making, etc.

Formal Induction: Formal induction is a planned attempt to introduce new employees to the organisation, job and the working environment.

Informal Induction: An informal induction to the organisation is a good way of making the volunteer feel comfortable and explaining how the organisation works.

Guidelines: A guideline is a statement by which to determine a course of action.

Human Resources: Human resources are the set of individuals who make up the workforce of an organisation, business sector or an economy.

Probation: In a workplace setting, probation is a status given to new employees of a company or business.

Placement: Placement refers to the system of assessment and selection by which vacancies are filled by staff serving in an organisation.

11.11 QUESTIONS FOR DISCUSSION

1. Define induction process.
2. Highlight the objectives of induction programme.
3. Discuss the nature of induction programme.
4. Distinguish between formal and informal induction.
5. Explain the advantages and disadvantages of induction programme.
6. Highlight the process of induction.
7. What do you understand by placement?
8. How are employees placed on independent, pooled and sequential jobs?
9. Elucidate the contents of induction programme.

Check Your Progress: Answers

1. Induction
2. HR
3. Selection
4. Online orientation
5. Job content
6. Informal

11.12 REFERENCE/ SUGGESTED READINGS

Armstrong, M. (2020). *Armstrong's handbook of human resource management practice* (15th ed.). Kogan Page.

Dessler, G. (2022). *Human resource management* (17th ed.). Pearson Education.

Gupta, C. B. (2019). *Induction and placement in modern organizations: Processes and challenges*. Journal of Human Resources Management, 14(2), 23-37.

Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2021). *Fundamentals of human resource management* (9th ed.). McGraw-Hill Education.

Robbins, S. P., & Judge, T. A. (2020). *Essentials of organizational behavior* (14th ed.). Pearson Education.

Singh, P., & Jain, A. (2020). *The role of induction and placement in employee retention*. Journal of Business Management, 16(3), 41-56.

Torrington, D., Hall, L., & Taylor, S. (2022). *Onboarding and placement practices in HRM* (11th ed.). Pearson Education.

UNIT 12

PERFORMANCE APPRAISAL

CONTENTS

12.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Understand the concept, importance, objectives, and features of performance appraisal
- Discuss the ethics involving performance appraisal
- Explain the factors affecting performance appraisal
- Describe various dimensions of performance
- Discuss methods of performance appraisal
- Explain problems inherent in performance appraisal
- Understand the concept of rating errors
- Discuss limitations of performance appraisal

12.1 INTRODUCTION

A performance review is a crucial process of the employment and human resources-defined practices of an organisation. It is a formal discussion as well as a documented process involving managers, HR and even top management about an employee's development and performance. Performance reviews executed diligently can reflect an organisation's overall health, employee management practices and overall productivity. Performance appraisal is one of the important single tool which helps in deciding about training requirements for an organisation and it reinforces training activities coordination and balance the team effort ensuring proper allocation of activities among different members of the group. There is a great need to have a suitable performance appraisal system to measure the relative merit of each employee.

12.2 CONCEPT OF PERFORMANCE APPRAISAL

Performance appraisal is defined by Wayne Cascio as the systematic description of employee's job relevant, strength, weakness. Performance appraisal may be conducted once in every 6 months or once in a year. The basic idea of the appraisal is to evaluate the performance of the employee, giving him a feedback. Identify areas where improvement is required so that training can be provided. Give incentives and bonus to encourage employees, etc.

Performance appraisal is the systematic evaluation of the performance of employees and to understand the abilities of a person for further growth and development. Performance appraisal is generally done in systematic ways which are as follows:

- The supervisors measure the pay of employees and compare it with targets and plans.
- The supervisor analyses the factors behind work performances of employees.
- The employers are in position to guide the employees for a better performance.

In performance appraisal, the employee's merits such as initiative, regularity, loyalty, personality, etc., are compared with others. Then each employee is rated or ranked. That is, he is given a particular rank such as First Rank, Second Rank, etc. So if an employee has the best attendance then he is given First Rank in attendance and so on.

A performance appraisal needs to be a series of constructive, developmental discussions, between line managers and their reports. They should focus on helping people to realise their potential. To be effective, appraisals need to be a series of conversations that culminate in the performance appraisal review. It's much more effective (and easier) to appraise performance by regular meetings to discuss progress and provide support, rather than to wait for a single, annual appraisal meeting. An appraisal should not be a top-down process, where one side asks questions and the other responds.

An effective appraisal meeting should consist of an open dialogue, more of a two-way conversation. Performance appraisal needs to be a joint effort – it's as much about self-appraisal as it is about the manager's view. Appraisals are a shared assessment of performance, where performance is appraised jointly and goals are agreed together. The individual's goals need to be aligned with those of the team or organisation. Performance appraisals should be based on trust and mutual respect. An appraisal works best when manager and employee know each other and there is mutual respect between the two. Such conditions need to be built over time with the manager taking the lead.

Appraisals are a key part of the performance management cycle. Appraisals are an important part of performance management, but an appraisal in itself is not performance management. Performance management is a broader process of which an appraisal is only one stage.

Example: In the performance management cycle, the review and planning elements typically form an appraisal. However, the development and performance stages are part of the broader performance management process. To manage the performance requires more than just a performance appraisal.

An employer and employee have to work towards common goals in order to ensure success and even long-term survival of an organisation. Performance reviews of employees indicate the commitment of business owners and top management towards their work force. It is a meticulous and professional periodic assessment of an individual worker or professional's overall performance, organisational commitment, his future potential for growth and the resultant pay raise, rewards and promotions.

The HR department or division of an organisation plays a critical role in the performance review of an employee or staff member. HR professionals devise and develop the systematised templates, appraisal and other metrics-based documents and forms to evaluate employees on select parameters. Managers, supervisors and HR top management fill out the necessary forms, generate reports and have a formal discussion. Salary raise, rewards, perks; incentives of employees are then decided by HR management based on the recommendations, reports and reviews of respective bosses and managers. Like any other function, performance appraisal is also an important management activity.

12.3 IMPORTANCE OF PERFORMANCE APPRAISAL

The main advantages or importance of performance appraisal are as follows:

- ***Performance Feedback:*** Most employees are very interested in knowing how well they are doing at present and how they can do better in a future. They want this information to improve their performance in order to get promotions and merit pay. Proper performance feedback can improve the employee's future performance. It also gives him satisfaction and motivation.
- ***Employee Training and Development Decisions:*** Performance Appraisal information is used to find out whether an employee requires additional training and development. Deficiencies in performance may be due to inadequate knowledge or skills.

  Example: A professor may improve his efficiency by attending workshops or seminars about his subject. Performance appraisal helps a manager to find out whether he needs additional training for improving his current job performance. Similarly, if the performance appraisal results show that he can perform well in a higher position, then he is given training for the higher level position.

- ***Validation of Selection Process:*** Performance appraisal is a means of validating both internal (promotions and transfers) and external (hiring new employees from outside) sources. Organisations spend a lot of time and money for recruiting and selecting employees. Various tools used in the selection process are application blanks, interviews, psychological tests, etc. These tools are used to predict (guess) the candidate's performance on the job. A proper performance appraisal finds out the validity of the various selection tools and so the company can follow suitable steps for selecting employees in future.
- ***Promotions:*** Performance appraisal is a way of finding out which employee should be given a promotion. Past appraisals, together with other background data, will enable management to select proper persons for promotion.
- ***Transfers:*** Performance appraisal is also useful for taking transfer decisions. Transfers often involve changes in job responsibilities, and it is important to find out the employees who can take these responsibilities. Such identification of employees who can be transferred is possible through the performance appraisal.
- ***Layoff Decisions:*** Performance appraisal is a good way of taking layoff decisions. Employees may be asked to leave, if the need arises. The weakest performers are the first to be laid off. If there is no performance appraisal, then there are chances that the best men in the department may be laid off.
- ***Compensation Decisions:*** Performance appraisal can be used to compensate the employees by increasing their pay and other incentives. This is truer in the case of managerial jobs and also in the case of employees in non-unionized organisations. The better performances are rewarded with merit pay.
- ***Human Resource Planning (HRP):*** The appraisal process helps in human resource planning. Accurate and current appraisal data regarding certain employees helps the management in talking decisions for future employment. Without the knowledge of who is capable of being promoted, demoted, transferred, laid off or terminated, management cannot make employment plans for the future.
- ***Career Development:*** Performance appraisal also enables managers to coach and counsel employees in their career development.

12.4 OBJECTIVES OF PERFORMANCE APPRAISAL

Performance appraisal can be done with following objectives in mind:

- To maintain records in order to determine compensation packages, wages structure, salaries raises, etc.
- To identify the strengths and weaknesses of employees to place right men on right job.
- To maintain and assess the potential present in a person for further growth and development.
- To provide a feedback to employees regarding their performance and related status.
- It serves as a basis for influencing working habits of the employees.
- To review and retain the promotional and other training programmes.

12.5 FEATURES OF PERFORMANCE APPRAISAL

The main characteristics of performance appraisal may be listed thus:

(i) The appraisal is *a systematic process* involving three steps:

a) Setting work standards.

b) Assessing employee's actual performance relative to these standards.

c) Offering feedback to the employee so that he can eliminate deficiencies and improve performance in course of time.

(ii) It tries to find out how well the employee is performing the job and tries to establish a plan for further improvement.

(iii) The appraisal is carried out periodically, according to a definite plan. It is certainly *not a one shot deal.*

(iv) Performance appraisal is *not a past-oriented activity*, with the intention of putting poor performers in a spot. Rather, it is a future oriented activity showing employees where things have gone wrong, how to set everything in order, and deliver results using their potential in a proper way.

(v) Performance appraisal is *not job evaluation.* Performance appraisal refers to how well someone is doing an assigned job. Job evaluation, on the other hand, determines how much a job is worth to the organisation and therefore, what range of pay should be assigned for the job.

vi) Performance appraisal is *not limited to 'calling the fouls'*. Its focus is on employee development. It forces managers to become coaches rather than judges. The appraisal process provides an opportunity to identify issues for discussion, eliminate any potential problems, and set new goals for achieving high performance.

12.6 ETHICS INVOLVING PERFORMANCE APPRAISAL

Performance appraisal system should be effective as a number of crucial decisions are made on the basis of score or rating given by the appraiser, which in turn, is heavily based on the appraisal system. Appraisal system, to be effective, should possess the following essential characteristics:

- ***Reliability and Validity:*** Appraisal system should provide consistent, reliable and valid information and data, which can be used to defend the organisation even in legal challenges. If two appraisers are equally qualified and competent to appraise an employee with the help of same appraisal technique, their ratings should agree with each other. Then the technique satisfies the condition of inter-rater reliability. Appraisals must also satisfy the condition of validity be measuring what they are supposed to measure. For example, if appraisal is made for potential of an employee for promotion, it should supply the information and data relating to potentialities of the employee to take up higher responsibilities and carry on activities at higher level.
- ***Job Relatedness:*** The appraisal technique should measure the performance and provide information in Job related activities/areas.
- ***Standardisation:*** Appraisal forms, procedures, administration of techniques, rating etc. should be standardised as appraisal decisions affect all employees of the group.

- ***Practical Viability:*** The techniques should be practically viable to administer, possible to implement and economical regarding cost aspect.
- ***Legal Sanction:*** It should have compliance with the legal provisions concerned of the country.
- ***Training and Appraisers:*** Because appraisal is important and sometimes difficult, it would be useful to provide training to appraisers namely insights and ideas on rating, documenting appraisals, and conducting appraisal interviews. Familiarity with rating errors can improve rater performance and this may inject the needed confidence in appraisers to look into performance ratings more objectively.
- ***Open Communication:*** Most employees want to know how well they are performing on the job. A good appraisal system provides the needed feedback on a continuing basis. The appraisal interviews should permit both parties to learn about the gaps and prepare themselves for future. To this end, managers should clearly explain their performance expectations to their subordinates in advance of the appraisals period. Once this is known it becomes easy for employees to learn about the yardsticks and, if possible, try to improve their performance in future.
- ***Employee Access to Results:*** Employees should know the rules of the game. They should receive adequate feedback on their performance. If performance appraisals are meant for improving employee performance, then withholding appraisals results would not serve any purpose. Employees simply could not perform better without having access to this information. Permitting employees to review the results of their appraisal allows them to detect any errors that may have been made. If they disagree with the evaluation, they can even challenge the same through formal channels.

It follows then that formal procedures should be developed to enable employees who disagree with appraisal results which are considered to be inaccurate or unfair. They must have the means for pursuing their grievances and having them addressed objectively.

When management uses it as a whip or fails to understand its limitations, it fails. The key is not which forms or which method is used. Performance appraisal should be used primarily to develop employees as valuable resources. Only then it would show promising results.

12.7 FACTORS AFFECTING PERFORMANCE APPRAISAL

Performance appraisal is an important process for any organisation, large or small. The effectiveness of a company's performance appraisal efforts will depend on a number of factors which are mentioned below:

- ***Performance:*** Performance of an employee by default affects his appraisal. Every organisation would want to make better profits. If certain employees perform above their caliber to help company achieve better results, the organisation would appreciate their efforts by giving them a raise in their compensation. It is a motivating factor as well for employees who continue to contribute efficiently to the organisation.
- ***Team Work:*** Organisations like team players. Employees who gel well with the team and help the team improve will surely be recognised and the efforts will be honored. This would be one of the reasons why employees with still performance will manage to get a healthier raise in their appraisals. Employees who spread negativity among the team might have to face a tough time during their appraisals.

- ***Attendance:*** A very essential part of employment is to be present at the workstation and other team and company activities. Taking a day off once in a while is okay, but frequent absenteeism will no doubt weigh down your appraisals. Employees who have lesser absenteeism and are punctual can expect good appraisals.
- ***Assertiveness/Motivation:*** Assertiveness and motivation are important characteristics that every organisation looks forward to in their employees. Employees who go about their jobs with vigour and excitement, take initiatives and show a desire to perform exceptionally are looked upon highly by the managers. Employees with a positive attitude and self-belief are respected by the organisation and are likely to be rewarded for their efforts.
- ***Organisational Skills:*** Organisational skills reflect to your managers that you know how to prioritise your more important tasks. A well-organised employee is always ready for any additional responsibilities and the managers can trust him for his ability to get something done. Organisational skill is an important attribute and plays an important part in the appraisal process.
- ***Communication:*** Communicating the performance appraisal process, not only to new managers but on an ongoing basis, can help remind all supervisors that the process exists, what it is, how it works and where to get advice and assistance if needed. In addition, business leaders and human resources staff should make sure managers and supervisors understand why performance appraisal is important to employees, managers and the organisation.
- ***Service to the Customers:*** Employees who deal with customers of the organisation should make sure that they fulfill the required complainants. This is essential as 'employee client relations' will be responsible for bringing revenue to the organisation. Employees who do a good job here will definitely receive a bonus.
- ***Product Knowledge:*** Employees should know in and out about the product or service that they deal with. Product knowledge or process knowledge is an attribute by which the employee is measured. Limited knowledge about the product or service restricts customer experience, and also it is difficult to convince the customers about the benefits of the product/service. This in turn shows your inefficiency which leads to poor appraisal.

12.8 VARIOUS DIMENSIONS OF PERFORMANCE

Performance has many dimensions.

- Output or result dimension;
- Input dimension;
- Time dimensions;
- Focus dimension;
- Quality dimensions; and
- Cost dimension.

Performance is what is expected to be delivered by an individual or a set of individuals within a time frame. What is expected to be delivered could be stated in terms of results or effort, tasks and quality, with specification of conditions under which it is to be delivered.

- ***Results and Output:*** The most acceptable and visible as well as measurable dimension of performance is result or the output. It describes the consequence of inputs in a summary form or a final or semi-final product form or service form. It describes the standard. It is easily measurable. For example, 95 percent is the result. Salary figures, customer numbers, financial targets, production targets, completion of tasks to meet some deadlines, etc. are all stated in result form/output form. Sometimes these are also called key result areas.

- ***Input Dimension:*** The input dimension deals with the activities or tasks to be accomplished by the individual. The nature of activities to be undertaken by the individual, the time frame, the quality of inputs to be given, etc. constitute the input dimension. Performance can be managed better if the nature of inputs required to be put in can be envisaged without mistake, planned properly and implemented.
- ***Time Dimension:*** Another dimension of performance is time. Performance can be defined for a task, for a day, for a week, for a month, year or for life. The time period for performance is important. Time for information technology organisations is limited to a quarter or a three-month period. They may also be defined by tasks or project and not time. Time may become the target.
- ***Focus Dimension:*** Performance also has a focus dimension. The focus can be on anything. In defining, the focus of a sales executive, the focus of performance can be on market share, profits, or new areas covered, or some of these or most of these. The focus of performance can be on many other dimensions. It could be on quality or on cost or financial dimensions.

12.9 METHODS OF PERFORMANCE APPRAISAL

The performance appraisal methods may be classified into three categories, as shown in Figure 12.1.

Performance Appraisal Methods

Individual evaluation methods	Multiple-person evaluation methods	Other methods
1. Confidential report	9. Ranking	12. Group Appraisal
2. Essay evaluation	10. Paired comparison	13. HRA
3. Critical incidents	11. Forced distribution	14. Assessment centre
4. Checklists		15. Field review
5. Graphic rating scale		
6. Behaviourally anchored rating scales		
7. Forced choice method		
8. MBO		

Figure 12.1: Performance Appraisal Methods

12.9.1 Individual Evaluation Methods

Under the individual evaluation methods of merit rating, employees are evaluated one at a time without comparing them with other employees in the organisation.

1. ***Confidential Report:*** It is mostly used in government organisations. It is a descriptive report prepared, generally at the end of every year, by the employee's immediate superior. The report highlights the strengths and weaknesses of the subordinate. The report is not databased. The impressions of the superior about the subordinate are merely recorded there. It does not offer any feedback to the appraisee. The appraisee is not very sure about why his ratings have fallen despite his best efforts, why others are rated high when compared to him, how to rectify his mistakes, if any; on what basis he is going to be evaluated next year, etc. Since the report is generally not made public and hence no feedback is available, the subjective analysis of the superior is likely to be hotly contested. In recent years, due to pressure from courts and trade unions, the details of a negative confidential report are given to the appraisee.

2. ***Essay Evaluation:*** Under this method, the rater is asked to express the strong as well as weak points of the employee's behaviour. This technique is normally used with a combination of the graphic rating scale because the rater can elaborately present the scale by substantiating an explanation for his rating. While preparing the essay on the employee, the rater considers the following factors: (i) Job knowledge and potential of the employee; (ii) Employee's understanding of the company's programmes, policies, objectives, etc.; (iii) The employee's relations with co-workers and superiors; (iv) The employee's general planning, organising and controlling ability; (v) The attitudes and perceptions of the employee, in general.

   Essay evaluation is a non-quantitative technique. This method is advantageous in atleast one sense, i.e., the essay provides a good deal of information about the employee and also reveals more about the evaluator. The essay evaluation method however, suffers from the following limitations:

   (i) It is highly subjective; the supervisor may write a biased essay. The employees who are sycophants will be evaluated more favourably than other employees.

   (ii) Some evaluators may be poor in writing essays on employee performance. Others may be superficial in explanation and use flowery language which may not reflect the actual performance of the employee. It is very difficult to find effective writers nowadays.

   (iii) The appraiser is required to find time to prepare the essay. A busy appraiser may write the essay hurriedly without properly assessing the actual performance of the worker. On the other hand, appraiser takes a long time, this becomes uneconomical from the view point of the firm, because the time of the evaluator (supervisor) is costly.

3. Critical Incident Technique: Under this method, the manager prepares lists of statements of effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding or poor behaviour of employees on the job. The manager maintains logs on each employee, whereby he periodically records critical incidents of the workers' behaviour. At the end of the rating period, these recorded critical incidents are used in the evaluation of the workers' performance. An example of a good critical incident of a sales assistant is the following:

   July 20 – The sales clerk patiently attended to the customer's complaint. He is polite, prompt, enthusiastic in solving the customer's problem.

   On the other hand, the bad critical incident may appear as under:

   July 20 – The sales assistant stayed 45 minutes over on his break during the busiest part of the day. He failed to answer the store manager's call thrice. He is lazy, negligent, stubborn and uninterested in work.

   This method provides an objective basis for conducting a thorough discussion of an employee's performance. This method avoids recently bias (most recent incidents get too much emphasis). This method suffers, however, from the following limitations:

   i) Negative incidents may be more noticeable than positive incidents.

   ii) The supervisors have a tendency to unload a series of complaints about incidents during an annual performance review session.

   iii) It results in very close supervision which may not be liked by the employee.

   iv) The recording of incidents may be a chore for the manager concerned, who may be too busy or forget to do it.

   Most frequently, the critical incidents method is applied to evaluate the performance of superiors.

4. ***Checklists and Weighted Checklists:*** Another simple type of individual evaluation method is the checklist. A checklist represents, in its simplest form, a set of objectives or descriptive statements about the employee and his behaviour. If the rater believes strongly that the employee possesses a particular listed trait, he checks the item; otherwise, he leaves the item blank. A more recent variation of the checklist method is the weighted list. Under this, the value of each question may be weighted equally or certain questions may be weighted more heavily than others. The following are some of the sample questions in the checklist.

    i) *Is the employee really interested in the task assigned?* *Yes/No*

    ii) *Is he respected by his colleagues (co-workers)?* *Yes/No*

    iii) *Does he respect his superiors?* *Yes/No*

    iv) *Does he follow instructions properly?* *Yes/No*

    v) *Does he make mistakes frequently?* *Yes/No*

    A rating score from the checklist helps the manager in evaluation of the performance of the employee. The checklist method has a serious limitation. The rater may be biased in distinguishing the positive and negative questions. He may assign biased weights to the questions. Another limitation could be that this method is expensive and time consuming. Finally, it becomes difficult for the manager to assemble, analyse and weigh a number of statements about the employee's characteristics, contributions and behaviours.

5. ***Graphic Rating Scale:*** Under this method, a printed form, as shown below, is used to evaluate the performance of an employee. A variety of traits may be used in these types of rating devices, the most common being the quantity and quality of work. The rating scales can also be adapted by including traits that the company considers important for effectiveness on the job. A model of a graphic rating scale is given below.

Box 12.1: Typical Graphic Rating Scale

Employee Name .... Job title ....
Department .... Rate ....
Data..................................

	Unsatisfactory	Fair	Satisfactory	Good	Outstanding
• **Quantity of work** Volume of work under normal working conditions					
• **Quality of work** Neatness, thoroughness and accuracy of work					
• **Knowledge of job** A clear understanding of the factors connected with the job					
• **Attitude** Exhibits enthusiasm and cooperativeness on the job					
• **Dependability** Conscientious, thorough, reliable, accurate, with respect to attendance, reliefs, lunch breaks, etc.					
• **Cooperation** Willingness and ability to work with others to produce desired goals.					

From the graphic rating scales, excerpts can be obtained about the performance standards of employees. For instance, if the employee has serious gaps in technical-professional knowledge (knows only rudimentary phases of job); lacks the knowledge to bring about an increase in productivity; is reluctant to make decisions on his own (on even when he makes decisions they are unreliable and substandard); declines to accept responsibility; fails to plan ahead effectively; wastes and misuses resources; etc., then it can safely be inferred that the standards of performance of the employee are dismal and disappointing.

The rating scale is the most common method of evaluation of an employee's performance today. One positive point in favour of the rating scale is that it is easy to understand, easy to use and permits a statistical tabulation of scores of employees. When ratings are objective in nature, they can be effectively used as evaluators. The graphic rating scale may, however, suffer from a long standing disadvantage, i.e., it may be arbitrary and the rating may be subjective. Another pitfall is that each characteristic is equally important in evaluation of the employee's performance and so on.

6. ***Behaviourally Anchored Rating Scales:*** Also known as the behavioural expectations scale, this method represents the latest innovation in performance appraisal. It is a combination of the rating scale and critical incident techniques of employee performance evaluation. The critical incidents serve as anchor statements on a scale and the rating form usually contains six to eight specifically defined performance dimensions. Figure 12.2 represents a BARS scale for a college professor.

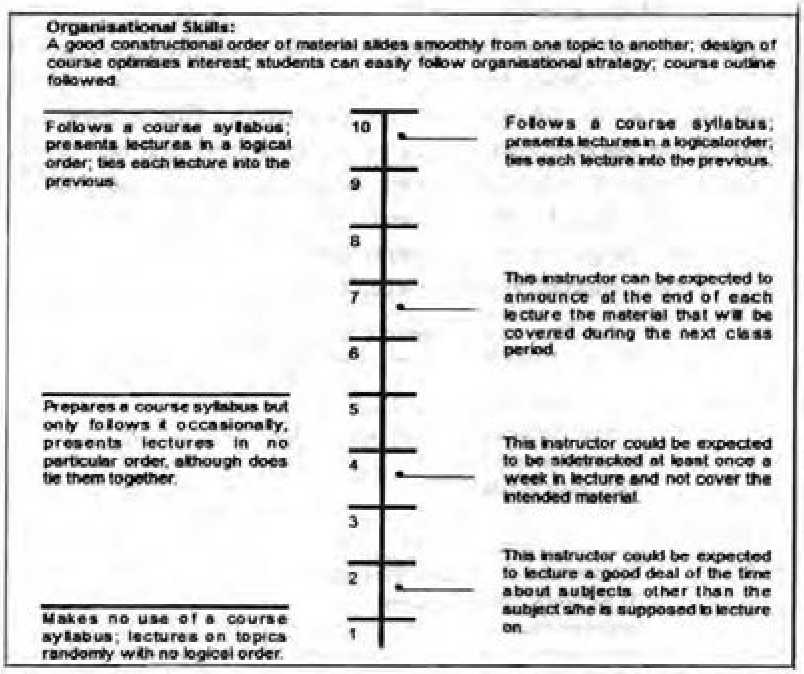
   How to construct BARS? Developing BARS follows a general format which combines techniques employed in the critical incident method and weighted checklist rating scales. Emphasis is pinpointed on pooling the thinking of people who will use the scales as both evaluators and evaluees.

   Step I: Collect critical incidents: People with knowledge of the job to be probed, such as job holders and supervisors, describe specific examples of effective and ineffective behaviour related to job performance.

   Step II: Identify performance dimensions: The people assigned the task of developing the instrument, cluster the incidents into a small set of key performance dimensions. Generally, between five and ten dimensions account for most of the performance. Examples of performance dimensions include technical competence, relationships with customers, handling of paperwork and meeting day-to-day deadlines. While developing varying levels of performance for each dimension (anchors), specific examples of behaviour should be used, which could later be scaled in terms of good, average or below average performance?

   Step III: Reclassification of incidents: Another group of participants knowledgeable about the job is instructed to retranslate or reclassify the critical incidents generated (in Step II) previously. They are given the definition of job dimension and told to assign each critical incident to the dimension that it best describes. At this stage, incidents for which there is lower than 75 percent agreement are discarded as being too subjective.

   Step IV: Assigning scale values to the incidents: Each incident is then rated on a one-to-seven or one-to-nine scale with respect of how well it represents performance on the appropriate dimension. A rating of one represents ineffective performance; the top scale value indicates very effective performance. The second group of participants usually assigns the scale values. Means and standard deviations are then calculated for the scale values assigned to each incident. Typically, incidents that have standard deviations of 1.50 or less (on a 7-point scale) are retained.



Source: Adapted from H. John Bernardin and Richard W. Beatly, Performance Appraisal: Assessing Human Behaviour at Work (Boston: Kent Publishing Company, 1984.)

Figure 12.2: A Sample Behaviourally Anchored Rating Scale for a College Professor

Step V: Producing the final instrument: About six or seven incidents for each performance dimension – all having met both the retranslating and standard deviation criteria – will be used as behavioural anchors. The final BARS instrument consists of a series of vertical scales (one for each dimension) anchored (or measured) by the final incidents. Each incident is positioned on the scale according to its mean value.

Because the above process typically requires considerable employee participation, its acceptance by both supervisors and their subordinates may be greater. Proponents of BARS also claim that such a system differentiates among behaviour, performance and results and consequently is able to provide a basis for setting developmental goals for the employee. Because it is job-specific and identifies observable and measurable behaviour, it is a more reliable and valid method for performance appraisal.

Researchers, after surveying several studies on BARS, concluded that "despite the intuitive appeal of BARS, findings from research have not been encouraging". It has not proved to be superior to other methods in overcoming rater errors or in achieving psychometric soundness. A specific deficiency is that the behaviours used are activity oriented rather than results oriented. This creates a potential problem for supervisors doing the evaluation, who may be forced to deal with employees who are performing the activity but not accomplishing the desired goals. Further, it is time consuming and expensive to create BARS. They also demand several appraisal forms to accommodate different types of jobs in an organisation. In a college, lecturers, office clerks, library staff, technical staff and gardening staff all have different jobs; separate BARS forms would need to be developed for each. In view of the lack of compelling evidence demonstrating the superiority of BARS over traditional techniques such as graphic rating scales, Decotis concluded that: "It may be time to quit hedging about the efficacy of behavioural scaling strategies and conclude that this method has no clear-cut advantages over more traditional and easier methods of performance evaluation".

7. ***Forced Choice Method:*** This method was developed to eliminate bias and the preponderance of high ratings that might occur in some organisations. The primary purpose of the forced choice method is to correct the tendency of a rater to give consistently high or low ratings to all the employees. This method makes use of several sets of pair phrases, two of which may be positive and two negative and the rater is asked to indicate which of the four phrases is the most and least descriptive of a particular worker. Actually, the statement items are grounded in such a way that the rater cannot easily judge which statements applies to the most effective employee. Box 12.2 is a classic illustration of the forced choice items in organisations.

Box 12.2: Forced Choice Items

1.	Least		Most
	A	Does not anticipate difficulties	A
	B	Grasps explanations easily and quickly	B
	C	Does not waste time	C
	D	Very easy to talk to	D
2.	Least		Most
	A	Can be a leader	A
	B	Wastes time on unproductive things	B
	C	At all times, cool and calm	C
	D	Smart worker	D

The favourable qualities earn a plus credit and the unfavourable ones earn the reverse. The worker gets an overall plus rating, when the positive factors override the negative ones or when one of the negative phrases is checked as being insignificantly rated.

They overall objectivity is increased by using this method in evaluation of employee's performance, because the rater does not know how high or low he is evaluating the individual as he has no access to the scoring key. This method, however, has a strong limitation. In the preparation of sets of phrases trained technicians are needed and as such the method becomes very expensive. Further, managers may feel frustrated rating the employees 'in the dark'. Finally, the results of the forced choice method may not be useful for training employees because the rater himself does not know how he is evaluating the worker. Inspite of these limitations, the forced choice technique is quite popular.

8. ***Management By Objectives (MBO):*** MBO requires the management to set specific, measurable goals with each employee and then periodically discuss the latter's progress towards these goals. This technique emphasises participatively set goals (that are agreed upon by the superior and the employee) that are tangible, verifiable and measurable. MBO focuses attention on what must be accomplished (goals) rather than how it is to be accomplished. It is, thus, a kind of goal setting and appraisal programme involving six steps:

   (i) *Set the organisation's goals:* Establish an organisation wide plan for next year and set company goals.

   (ii) *Set departmental goals:* Departmental heads at this stage take the broader company goals (such as improving profits by 20 per cent, increasing market share by 9 per cent, etc.) and, with their superiors, jointly set goals for their departments.

   (iii) *Discuss departmental goals:* The departmental goals are now put to discussion in a departmental meeting with subordinates. The departmental heads would require the subordinates to set their own preliminary individual goals, focusing mostly on what they can do to achieve the department's goals.

(iv) *Define expected results:* In the next step, the departmental heads and their subordinates agree on a set of participatorily set short term, and individual performance targets.

(v) *Performance reviews:* Departmental heads compare each employee's actual and targeted performance, either periodically or annually. While periodic review is intended to identify and solve specific performance problems, the annual review is conducted to assess and reward one's overall contribution to the organisation. Because employees are evaluated on their performance results, MBO is often called a result-based performance appraisal system.

(vi) *Provide feedback:* Both parties now discuss and evaluate the actual progress made in achieving goals, where things have gone off the track, how best to rectify the mistakes made in the past, and how the employee could meet the targets next time, focusing attention on his strengths.

However, setting clearly measurable goals is not an easy task. MBO demands a great deal of time to set verifiable goals at all levels of an organisation. In the race to define everything rigidly, some of the qualitative aspects might be ignored (such as employee attitudes, job satisfaction, etc). Often the superior may set goals at a frustratingly high level, whereas the subordinate may wish to have it at a comfortable level. At times, the short-term goals may take precedence over long term goal. The only way to overcome these problems is to allow managers at all levels to explain, coordinate and guide the programme in a persuasive, democratic way. The jointly set targets must be fair and attainable. Both the superiors and the subordinates must be taught how to set realistic goals and be familiarised with the results for which they are finally held responsible.

12.9.2 Multiple-person Evaluation Techniques

The above discussed methods are used to evaluate employees one at a time. In this section, let us discuss some techniques of evaluating one employee in comparison to another. Three such frequently used methods in organisations are – ranking, paired comparison and forced distribution.

1. ***Ranking Method:*** This is a relatively easy method of performance evaluation. Under this method, the ranking of an employee in a work group is done against that of another employee. The relative position of each employee is expressed in terms of his numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group. The quintessence of this method is that employees are ranked according to their relative levels of performance. While using this method, the evaluator is asked to rate employees from highest to lowest on some overall criterion. Though it is relatively easier to rank the best and the worst employees, it is very difficult to rank the average employees. Generally, evaluators pick the top and bottom employees first and then select the next highest and next lowest and move towards the average (middle) employees. The longstanding limitations of this method are:

   (i) The 'whole man' is compared with another 'whole man' in this method. In practice, it is very difficult to compare individuals possessing varied behavioural traits.

   (ii) This method speaks only of the position where an employee stands in his group. It does not tell anything about how much better or how much worse an employee is when compared to another employee.

   (iii) When a large number of employees are working, ranking of individuals becomes a vexing issue.

(iv) There is no systematic procedure for ranking individuals in the organisation. The ranking system does not eliminate the possibility of snap judgements.

In order to overcome the above limitations, a paired comparison technique has been advanced by organisational scholars.

For instance, when there are five employees to be compared, then A's performance is compared with that of B's and decision is arrived at as to whose is better or worse. Next, B is also compared with all others. Since A is already compared with B, this time B is to be compared with only C, D and E. By this method, when there are five employees, fifteen decisions are made (comparisons). The number of decisions to be made can be determined with the help of the formulae n (n-2). Ranking the employees by the paired comparison method may be illustrated as shown in the Table 12.1.

For several individual traits, paired comparisons are made, tabulated and then rank is assigned to each worker. Though this method seems to be logical, it is not applicable when a group is large. When the group becomes too large, the number of comparisons to be made may become frighteningly excessive. For instance, when n=100, comparisons to be made are 100 (100-2) = 100 (98) = 9800.

Trait: 'Quantity of work'

Table 12.1: Employee Rated

As compared to	A	B	C	D	E
A		+	–	+	–
B	–		+	–	+
C	+	–		+	–
D	–	+	–		–
E	+	–	+	+	

2. ***Forced Distribution Method:*** Under this system, the rater is asked to appraise the employee according to a predetermined distribution scale. The rater's bias is sought to be eliminated here because workers are not placed at a higher or lower end of the scale. Normally, the two criteria used here for rating are the job performance and promotability. Further, a five-point performance scale is used without any mention of descriptive statements. Workers are placed between the two extremes of 'good' and 'bad' performances. For instance, the workers of outstanding merit may be placed at the top 10% of the scale. The rest may be placed as – 20% – good, 40% – outstanding, 20% – fair and 10% – poor. To be specific, the forced distribution method assumes that all top grade workers should go to the highest 10% grade; 20% employees should go to the next highest grade and so on.

   Apart from job performance as the criterion, another equally important factor in this method is promotability. Employees may be classified according to their promotional merits. The scale for this purpose may consist of three points – namely, quite likely promotional material, may/may not be promotional material and quite unlikely promotional material.

   One strong positive point in favour of the forced distribution method is that by forcing the distribution according to predetermined percentages, the problem of making use of different raters with different scales is avoided. Further, this method is appreciated on the ground that it tends to eliminate rater bias. The limitation of using this method in salary administration however, is that it may result in low morale, low productivity and high absenteeism. Employees who feel that they are productive, but find themselves placed in a grade lower than expected feel frustrated and exhibit, over a period of time, reluctance to work.

Other methods of appraising performance include: Group Appraisal, Human Resource Accounting, Assessment Centre, Field Review, etc. These are discussed in the following sections:

1. ***Group Appraisal:*** In this method, an employee is appraised by a group of appraisers. This group consists of the immediate supervisor of the employee, other supervisors who have close contact with the employee's work, manager or head of the department and consultants. The head of the department or manager may be the Chairman of the group and the immediate supervisor may act as the Coordinator for the group activities. This group uses any one of multiple techniques discussed earlier. The immediate supervisor enlightens other members about the job characteristics, demands, standards of performance, etc. Then the group appraises the performance of the employee, compares the actual performance with standards, finds out the deviations, discusses the reasons therefore, suggests ways for improvement of performance, prepares an action plan, studies the need for change in the job analysis and standards and recommends changes, if necessary.

   This method eliminates 'personal bias' to a large extent, as performance is evaluated by multiple raters. But it is a very time consuming process.

2. ***Human Resource Accounting:*** HRA is a sophisticated way to measure (in financial terms) the effectiveness of personnel management activities and the use of people in an organisation. It is the process of accounting for people as an organisational resource. It tries to place a value on organisational human resources as assets and not as expenses. The HRA process shows the investment the organisation makes in its people and how the value of these people changes over time. The acquisition cost of employees is compared to the replacement cost from time to time. The value of employees is increased by investments made by the company to improve the quality of its human resources such as training, development, and skills acquired by employees over a period of time through experience, etc. When qualified, competent people leave an organisation, the value of human assets goes down. In this method, employee performance is evaluated in terms of costs and contributions of employees. Human resource costs include expenditure incurred by the company in hiring, training, compensating and developing people. The contributions of human resources is the money value of labour productivity. The cost of human resources may be taken as the standard. Employee performance can be measured in terms of employee contribution to the organisation. Employee performance can be taken as positive when contribution is more than the cost and performance can be viewed as negative if cost is more than contribution. Positive performance can be measured in terms of percentage of excess of employee contribution over the cost of employee. Similarly negative performance can be calculated in terms of percentage of deficit in employee contribution compared to the cost of employee. These percentages can be ranked to 'Zero Level' as shown in the Table 12.2.

Table 12.2: Employee Contribution Compared to the Cost of Employee

Rank	Rating	Percentage of Surplus/Deficit of contribution to cost of employee
1.	Extremely good performance	Over 200
2.	Good performance	150 – 200
3.	Slightly good performance	100 – 150
4.	Neither poor nor good	0 – 100
5.	Slightly poor performance	0
6.	Poor performance	0 to (– 50)
7.	Extremely poor performance	(–50) to (–100)

This technique has not developed fully and is still in the transitionary stage.

3. ***Assessment Centre:*** This method of appraising was first applied in German Army in 1930. Later business and industrial houses started using this method. This is not a technique of performance appraisal by itself. In fact it is a system or organisation, where assessment of several individuals is done by various experts using various techniques. These techniques include the methods discussed before in addition to in-basket, role playing, case studies, simulation exercises, structured in sight, transactional analysis, etc.

   In this approach, individuals from various departments are brought together to spend two or three days working on individual or group assignments similar to the ones they would be handling when promoted. Observers rank the performance of each and every participant in order of merit. Since assessment centres are basically meant for evaluating the potential of candidates to be considered for promotion, training or development, they offer an excellent means for conducting evaluation processes in an objective way. All assessees get an equal opportunity to show their talents and capabilities and secure promotion based on merit. Since evaluators know the position requirements intimately and are trained to perform the evaluation process in an objective manner, the performance ratings may find favour with a majority of the employees. A considerable amount of research evidence is available to support the contention that people chosen by this method prove better than those chosen by other methods. The centre enables individuals working in low status departments to compete with people from well-known departments and enlarge their promotion chances. Such opportunities, when created on a regular basis, will go a long way in improving the morale of promising candidates working in 'less important' positions.

4. ***Field Review Method:*** Where subjective performance measures are used, there is scope for rater's biases influencing the evaluation process. To avoid this, some employees use the field review method. In this method, a trained, skilled representative of the HR department goes into the 'field' and assists line supervisors with their ratings of their respective subordinates. The HR specialist requests from the immediate supervisor specific information about the employees performance. Based on this information, the expert prepares a report which is sent to the supervisor for review, changes, approval and discussion with the employee who is being rated. The ratings are done on standardised forms.

12.10 PROBLEMS AND SOLUTIONS

The problems inherent in performance appraisal may be listed thus:

1. ***Judgement Errors:*** People commit mistakes while evaluating people and their performance. Biases and judgement errors of various kinds may spoil the show. Bias here refers to distortion of a measurement. These are of various types:

   (i) *First impressions (primacy effect):* The appraiser's first impression of a candidate may colour his evaluation of all subsequent behaviour. In the case of negative primacy effect, the employee may seem to do nothing right; in the case of a positive primacy effect, the employee can do no wrong (Harris, p.192).

   (ii) *Halo:* The Halo error occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions. If a worker has few absences, his supervisor might give the worker a high rating in all other areas of work. Similarly, an employee might be rated high on performance simply because he has a good dress sense and comes to office punctually!

(iii) *Horn effect:* The rater's bias is in the other direction, where one negative quality of the employee is being rated harshly. For example, the ratee rarely smiles, so he cannot get along with people!

(iv) *Leniency:* Depending on rater's own mental make-up at the time of appraisal, raters may be rated very strictly or very leniently. Appraisers generally find evaluating others difficult, especially where negative ratings have to be given. A professor might hesitate to fail a candidate when all other students have cleared the examination. The leniency error can render an appraisal system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among employees.

(v) *Central tendency:* An alternative to the leniency effect is the central tendency, which occurs when appraisers rate all employees as average performers. For example, a professor, with a view to play it safe, might give a class grades nearly equal to B, regardless of the differences in individual performance.

(vi) *Stereotyping:* Stereotyping is a mental picture that an individual holds about a person because of that person's sex, age, religion, caste, etc. By generalising behaviour on the basis of such blurred images, the rater grossly overestimates or underestimates a person's performance. For example, employees from rural areas might be rated poorly by raters having a sophisticated urban background, if they view rural background negatively.

(vii) *Recency effect:* In this case, the rater gives greater weightage to recent occurrences than earlier performance. For example, an excellent performance that may be six or seven months old is conveniently forgotten while giving a poor rating to an employee's performance which is not so good in recent weeks. Alternatively, the appraisal process may suffer due to a 'spill over effect' which takes place when past performance influences present ratings.

2. ***Poor Appraisal Forms:*** The appraisal process might also be influenced by the following factors relating to the forms that are used by raters:
   - The rating scale may be quite vague and unclear.
   - The rating form may ignore important aspects of job performance.
   - The rating form may contain additional, irrelevant performance dimensions.
   - The forms may be too long and complex.
3. ***Lack of Rater Preparedness:*** The raters may not be adequately trained to carry out performance management activities. This becomes a serious limitation when the technical competence of a ratee is going to be evaluated by a rater who has limited functional specialisation in that area. The raters may not have sufficient time to carry out appraisals systematically and conduct thorough feedback sessions. Sometimes the raters may not be competent to do the evaluations owing to a poor self-image and lack of self-confidence. They may also get confused when the objectives of appraisal are somewhat vague and unclear.
4. ***Ineffective Organisational Policies and Practices:*** If the sincere appraisal effort put in by a rater is not suitably rewarded, the motivation to do the job thoroughly finishes off. Sometimes, low ratings given by raters are viewed negatively by management – as a sign of failure on the part of rater or as an indication of employee discontent. So, most employees receive satisfactory ratings, despite poor performance. Normally, the rater's immediate supervisor must approve the ratings. However, in actual practice, this does not happen. As a result, the rater 'goes off the hook' and causes considerable damage to the rating process.

12.10.1 Solutions

The following are some of the steps required to be followed while introducing a potential appraisal system:

1. ***Role Descriptions:*** Organisational roles and functions must be defined clearly. To this end, job descriptions must be prepared for each job.
2. ***Qualities Needed to Perform the Roles:*** Based on job descriptions, the roles to be played by people must be prepared (i.e., technical, managerial jobs and behavioural dimensions).
3. ***Rating Mechanisms:*** Besides listing the functions and qualities, the potential appraisal system must list mechanisms of judging the qualities of employees such as:
   (i) *Rating by others:* The potential of a candidate could be rated by the immediate supervisor who is acquainted with the candidate's work in the past, especially his technical capabilities.
   (ii) *Tests:* Managerial and behavioural dimensions can be measured through a battery of psychological tests.
   (iii) *Games:* Simulation games and exercises (assessment centre, business games, in-basket, role play, etc.) could be used to uncover the potential of a candidate.
   (iv) *Records:* Performance records and ratings of a candidate on his previous jobs could be examined carefully on various dimensions such as initiative, creativity, risk taking ability, etc., which might play a key role in discharging his duties in a new job.

Organising the System

After covering the above preliminaries, the HR manager must set up a system that will allow the introduction of the scheme smoothly incorporating answers to some complex questions such as:

(i) How much weightage to accord to merit in place of seniority in promotions?
(ii) How much weightage to accord to each of the performance dimensions – technical, managerial, behavioural qualities?
(iii) What are the mechanisms of assessing the individual on different indicators of his potential, and with what degree of reliability?

Feedback

The system must provide an opportunity for every employee to know the results of his assessment. "He should be helped to understand the qualities actually required for performing the role for which he thinks he has the potential, the mechanisms used by the organisations to appraise his potential and the results of such an appraisal".

12.10.2 Appraisal Interviews

The post appraisal interview is an essential part of the performance appraisal system. The employee gets useful feedback information about how effectively and efficiently he is able to discharge the assigned duties. It also gives the opportunity to the employee to explain his views about the ratings, standards, rating methods, internal and external causes for low level of performance. The appraiser gets a chance to explain the employee his rating, the traits and behaviours he has taken into account for appraisal, etc. He can utilise this opportunity to offer constructive suggestions, and help, guide and coach the employee for his advancement. The post appraisal interview helps both parties to review standards, and set new standards based on the experience gained. It, thus, serves to meet the following objectives:

1. to let employees know where they stand;
2. to help employees do a better job by clarifying what is expected of them;
3. to plan opportunities for development and growth;
4. to strengthen the superior-subordinate working relationship by developing a mutual agreement of goals;
5. to provide an opportunity for employees to express themselves on performance-related issues.

12.11 PERFORMANCE APPRAISAL IN PRACTICE

Leading Indian companies like Philips, Glaxo, Cadbury, Sandoz, Pfizer, Mafatlal, Proctor and Gamble have all redesigned their systems in recent times, shifting from a pure performance orientation to a potential-cum-performance based appraisal system. The Philips model, in this connection, is worth mentioning, shown below:

a. ***Low Potential-low Performance:*** Employees with low potential and low performance levels ('question marks') are asked to improve their performance initially. If that effort fails, Philips works towards a planned separation.

b. ***Low Potential-high Performance:*** Defined as solid citizens-high skills but limited capability to grow beyond their current job profile-they constitute 70 to 75 per cent of the company's employees. The company has to constantly recognise their limitations and look after their needs.

c. ***Low Performance-high Potential:*** These are the problem children. In most cases, they do well in their jobs – if a location, boss or job profile is changed. To tap their potential, such employees are given a new scenario to work in and are closely observed. If they continue to show low performance, the separation process is initiated.

d. ***High Performance-high Potential:*** They are the star performers and ought to be pampered like race horses – putting them on challenging tasks constantly.

   Philips uses a five-point scale to measure the potential of an employee and put him into one of the above quadrants. The potential appraisal criteria include the following:

   1. *Conceptual effectiveness* (including vision, business orientation, entrepreneurial orientation, sense of reality),
   2. *Interpersonal effectiveness* (network directedness, negotiating power, personal influence, verbal behaviour),
   3. *Operational effectiveness* (result orientation, individual effectiveness, risk-taking, control),
   4. *Achievement motivation* (drive, professional ambition, innovativeness, stability). Once the potential of an employee is measured along these dimensions on a five-point scale, Philips lays down a fast-track, career growth plan for the star performers (5 year to 10 year plan). Companies like Glaxo, Cadbury have similar processes in place to separate the star performers from the employee ranks and exploit their potential fully using rewards and incentive schemes to good effect.

12.11.1 Performance Appraisal Practices in India

There are three different approaches for carrying out appraisals. Employers can be appraised against (i) absolute standards (where employees' performance is measured against some established standards; the subjects here are not compared with any other person) (ii) relative standards (where the subjects are compared against other individuals) and (iii) objective. Here, employees are evaluated by how well they accomplish a specific set of objectives that have been determined to be critical in the successful completion of their job. No one approach is always best; each has its strengths and weaknesses. Of course, a successful performance appraisal system requires more than good technique. It depends on a consistent approach for comparability of results, clear standards and measures, and bias-free ratings. Against this backdrop, let's see how some of the leading companies in India carry out the appraisal process.

(i) ***Hughes Escorts:*** Hughes Escorts, the subsidiary of the US-headquartered telecom company, Hughes, uses a competency-based performance-enhancement model. Each position in the organisation is defined in terms of 23 key competencies, categorised into four groups: attitude-based, knowledge-driven, skill-centred, and value based. The company uses these competencies to measure shortfalls and provide relevant training inputs. This is done to both maximise productivity and make employees aware of their professional standing.

(ii) ***National Panasonic:*** This Japanese white-goods major has developed a performance-assessment system driven by key result areas (KRAs). KRAs describe performance goals – business, functional, and behavioural ones – with defined time-frames and are decided jointly by the employee and the manager at the beginning of the year. It is a structured exercise using a written format. These KRAs are then used to map the employee's progress and, based on the results, the company decides to plug performance gaps with the help of relevant training inputs. National Panasonic puts a great deal of emphasis on this process for re-skilling its employees as it believes in growing its own timber rather than opting for expensive mid-career hires.

(iii) ***Larsen & Toubro:*** Engineering major Larsen & Toubro has developed a competency matrix which lists 73 competencies – that vary across managerial levels – to measure performance and gauge development needs of its employees. Each listed competency has associated knowledge, skills, and attributes. The company appraises individual employees in the listed competencies, and zeroes in on the functional, managerial, and behavioural skill gaps. Subsequently, customised reinforcement is provided. Further, as the matrix is linked to business strategy on one hand and training needs on the other, strategic needs drive the company's development policies, making the process of re-learning and re-skilling easier, and more focused.

(iv) ***Daewoo Motors:*** Auto major Daewoo Motors Ltd. has introduced a parameter on team work in its appraisal process. Targets are set according to business plans in the beginning of the year and assigned to various functional teams. Subsequently, the team's performance is measured on the basis of its achievement vis-à-vis its goals. This done, the top management allocates ratings (which can vary from outstanding to average) to each team. In a parallel process, the team-supervisor appraises each team member. Both ratings are taken into account before a final rating is assigned by the senior management team to each functional team and every team member. Rewards, including performance increments, bonuses, and promotions are given out on the basis of this final rating.

(v) ***EIH Ltd.:*** Hospitality company EIH recently overhauled its performance appraisal system to make it more participatory and competency-driven. Now, employees are appraised on the achievement of specific individual and functional targets, as well as generic competencies like technical, functional, managerial, decision-making, and leadership skills. Performance ratings ranging from outstanding to below-average are given accordingly. The exercise is followed by an employee feedback process, where employees are required to answer. EIH had taken its managers through an extensive tour of its new appraisal process to raise comfort levels, and hopes to use it as a vehicle for people-based growth.

(vi) ***Pepsi Co. India:*** Beverage giant Pepsi Co. (India) employs an annual appraisal process that is (numerical) target driven. As a large part of Pepsi's compensation package comprises performance pay in the form of bonuses – varying from 15 per cent at junior levels to 60-plus per cent at senior rungs – the manager's performance is determined on three key parameters: volume growth, market share, and net operating profit, to compute the variable component to compensation. Managers are also rated on key behavioural and functional competencies to assess their potential for advancement within the organisation.

12.12 RATING ERRORS

Rating errors are mistakes in judgment that result from allowing extraneous factors to influence our decisions about the quality of someone's job performance. According to Dreher/Dougherty, *"A barrier to the accuracy and credibility of performance measures is posed by a number of rater errors, perceptual biases and other sources of distortion in performance ratings"*.

The most common rating errors in a performance appraisal are mentioned below:

- ***Halo Effect:*** When an employee performs well in a few areas of his work, then the general tendency of a manager is to rate him well even in unrelated areas where his performance was mediocre. This is called a "Halo" effect. The opposite of Halo effect is called "Horns" effect in which a manager rates an employee poorly, when he spots a few areas where he has been not performing well. In other words, in this type of rating error, the overall rating of an employee gets influenced by good or bad performance in a few areas of his/her work.

- ***Recency:*** Another common error in rating is the problem of recency. Though performance appraisals are done to rate an employee's performance throughout a year (or 6 month period, etc.), managers tend to remember only the past few months performance, and rate the employee's performance based on that. So any performance highs or performance lows of an employee in the last few months, significantly influences the rating.

- ***Central Tendency:*** Central tendency is again a very common rating error. Sometimes, managers with the intention of avoiding conflict, play it safe, by rating employees in the middle of the rating scale. So it might be a "met expectation" for all performance parameters, irrespective of whether in reality they have met it or not.

- ***Leniency/Severity:*** Sometimes, managers tend to rate employees leniently or severely. This may be due to factors like:

  - Whether manager's like an employee or not. Personal bias or preferences creep in the rating.

  - Their general style is either lenient or strict.

  - They compare employee's performance with their personal standards (instead of standards expected from the role). This is also called as "Frame of reference" error.

  - Sometimes when employees are similar to the manager, it influences the manager's rating which will then be lenient.

So in this case the rating is either positively or negatively skewed.

- ***Contrast Effect:*** This occurs when managers rate an employee by comparing him with other employees. So, instead of giving ratings based on the standards required for the job, managers rate a person by comparing with other employees performance. In such cases, a person may be given higher ratings just because he is better than others, but he may still lag behind when compared to the standards expected.
- ***Stereotyping:*** Stereotyping occurs when managers generalise about employee's performance based on a group. Grouping can be age-wise, experience-wise, region-wise or university-based and so on. For instance, managers may generalise or stereotype saying that all young employees do not take ownership of their work, or that freshers hired from a particular university have great technical skills and so on. But actually, it is important that managers should consider individual differences.

12.13 LIMITATIONS OF PERFORMANCE APPRAISAL

The limitations of performance appraisal are as follows:

- ***Halo Effect:*** The rater may base the full appraisal on the basis or one positive quality which was found out earlier. For example, if a person is evaluated on one quality, i.e., emotional stability and if he scores very high in the case of emotional stability, then the rater may also give him high scores (marks or grades) for other qualities such as intelligence, creativity, etc., even without judging these characteristics.
- ***Problem of Leniency or Strictness:*** Many raters are too lenient (not strict) in their ratings. High scores may be given to all employees, even if they have no merit. Also a reverse situation may take place, where all employees are rated very strictly and very low scores are given.
- ***Central Tendency:*** Sometimes a rater gives only middle range scores to all individuals. Extremely high or low scores are avoided. This is called Central Tendency.
- ***Personal Bias:*** Performance appraisal is affected by personal bias of the rater. If the rater has good relations with the rate (an employee who is getting rated), he may give higher scores to the ratee, even though the rate does not deserve such high scores.
- ***Paper Work:*** Some supervisors complain that performance appraisal is pointless paper work. They complain because many times, performance appraisal reports are found only in the files. It does not serve any practical purpose. In other words, the performance appraisal reports are not used by some organisations. They are conducted just as a formality or for the name sake.
- ***Fear of Spoiling Relations:*** Performance appraisal may also affect superior-subordinate relations. An appraisal makes the superior more of a judge than a coach. So, the subordinate may have a feeling of suspicion and mistrust, about the superior.
- ***Evaluate Performance not Person:*** The rater should evaluate the performance, i.e., output, new ideas, extraordinary efforts, etc. and not the person. In reality, the person is evaluated and not his performance. It should be noted that failure is an event and a not a person.

- ***Horn Effect:*** Sometimes the raters may evaluate on the basis of one negative quality. This results in overall lower rating of the particular employee. For example, "He does not shave regularly. Therefore, he must be lazy at work".
- ***Spillover Effect:*** In this case, the present performance appraisal is greatly influenced by past performance. A person who has not done a good job in the past is considered (assumed) to be bad for doing present work.
- ***Latest Behaviour Effect:*** The rating is also influenced by the most recent behaviour. The rater may ignore an average behaviour during the full appraisal period.

12.14 PERFORMANCE APPRAISAL PROCESS

The performance appraisal process is one that few look forward to. However, understanding the process can help managers and employees conduct a more fruitful appraisal. Process of performance appraisal followed by different companies is different.

Process of performance appraisal

↓

Setting performance standards

↓

Communicating standards set to the employee

↓

Measuring performance

↓

Comparing performance with standard

↓

Discussing result

↓

Collective action

↓

Implementation and review

Source:http://studyvalue.com/_management_sciences/_hrm/process_of_performance_appraisal_35.html

Figure 12.3: Process of Performance Appraisal

The process of performance appraisal which is depicted in Figure 12.3 is discussed below:

12.14.1 Setting Performance Standards

The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organisational goals and objectives. The standards set should be clear, easily understandable and in measurable terms. In this very first step in performance appraisal, the HR department decides the standards of performance i.e., they decide what exactly is expected from the employee for each and every job. Sometimes certain marking scheme may be adopted. In case, the performance of the employee cannot be measured, great care should be taken to describe the standards.

Example: A score 90/100 = excellent performance, a score of 80/100 = good. And so on.

12.14.2 Communication Standards Set to the Employee

Standards of performance appraisal decided in 1st step are now conveyed to the employee so that the employee will know what is expected from him and will be able to improve his performance. Once set, it is the responsibility of the management to communicate the standards to all the employees of the organisation.

The employees should be informed and the standards should be clearly explained to them. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

12.14.3 Measuring Performance

The most difficult part of the performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and provides assistance rather than interfering in an employees work. The performance of the employee is now measured by the HR department, different methods can be used to measure performance, i.e., traditional and modern method. The method used depends upon the company's convenience.

12.14.4 Comparing Performance with Standard

The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organisational performance. It includes recalling, evaluating and analysis of data related to the employees' performance. The performance of the employee is now judged against the standard. To understand the score achieved by him. Accordingly we come to know which category of performance the employee falls into, i.e., excellent, very good, good, satisfactory, etc.

12.14.5 Discussing Result

The results obtained by the employee after performance appraisal are informed or conveyed to him by the HR department. A feedback is given to the employee asking him to change certain aspects of his performance and improve them.

12.14.6 Collective Action

The result of the appraisal is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better. The employee is given a chance or opportunity to improve himself in the areas specified by the HR department. The HR department constantly receives or keeps a check on the employee's performance and notes down improvements in performance.

12.14.7 Implementation and Review

The last step of the process is to take decisions and implement it which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers, etc. The performance appraisal policy is to be implemented on a regular basis. A review must be done from time to time to check whether any change in policy is required. Necessary changes are made from time to time.

Check Your Progress

Fill in the blanks:

1. A __________ needs to be a series of constructive, developmental discussions, between line managers and their reports.
2. __________ involve changes in job responsibilities.
3. The appraisal technique should measure the performance and provide information in __________ related activities/areas.
4. The ________ dimension deals with the activities or tasks to be accomplished by the individual.
5. A _________ represents a set of objectives or descriptive statements about the employee and his behaviour.
6. _______ method was developed to eliminate bias and the preponderance of high ratings that might occur in some organisations.

12.15 LET US SUM UP

- Performance Evaluation or Appraisal is the process of deciding how employees do their jobs. Performance appraisal is a method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance.
- The performance appraisal methods may be classified into three categories, i.e., Individual evaluation methods, Multiple-person evaluation methods.
- Forced choice method was developed to eliminate bias and the preponderance of high ratings that might occur in some organisations.
- Management by Objectives (MBO) technique emphasises, participatively set goals (that are agreed upon by the superior and the employee) that are tangible, verifiable and measurable.
- The problems inherent in performance appraisal may be listed as: Judgement errors, Poor appraisal forms, Lack of rater preparedness, Ineffective organisational policies and practices.
- There are three different approaches for carrying out appraisals. Employers can be appraised against (i) absolute standards (where employees' performance is measured against some established standards; the subjects here are not compared with any other person) (ii) relative standards (where the subjects are compared against other individuals), and (iii) objective.

12.16 LESSON END ACTIVITY

Working individually or in groups, develops, over a period of a week, a set of critical incidents covering the classroom performance of one of your teachers.

12.17 KEYWORDS

Performance Appraisal: A systematic and objective way of evaluating both work related behaviour and potential of employees.

Human Resource Accounting: It is a sophisticated way to measure the effectiveness of personnel management activities and the use of people in an organisation.

Halo Effect: Bias which occurs when the rater's personal opinion of a specific trait of employee influences the rater's overall assessment of performance.

Rater Bias: Error that occurs when a rater's values or prejudices distort the rating.

Contrast Error: Tendency to rate people relative to other people rather than to performance standards.

Behaviourally Anchored Ratios Scale: It is an absolute assessment technique wherein critical incidents are identified and a range of performance possibilities (from poor to good) are described for each dimension.

Assessment Centre: It is an appraisal technique that relies on multiple types of evaluation and multiple raters.

Central Tendency: The reluctance to use the extremes of a rating scale and to thereby fail to adequately differentiate employees being rated.

Impression Management: Efforts by employees to obtain higher ratings by portraying an image desired by their supervisors.

Ranking: Listing employees from best to worst.

MBO: An approach in which employee and supervisor jointly establish clear, measurable performance jobs for the future.

Rating Scale: A method which requires the rater to provide a subjective performance evaluation along a scale from low to high.

Checklist: Performance appraisal tool that uses a lot of statements or words that are checked by raters.

Forced Choice: A method requiring the rater to select the most descriptive statement in each pair of statements about the employee being rated.

Paired Comparison: A method that compels raters to compare each employee with all other employees who are being rated in the same group.

360 Degree Feedback: Information is gathered from a variety of sources in this system, including subordinates who complete performance appraisals, then the results are summarised for the employee and necessary improvements are discussed.

12.18 QUESTIONS FOR DISCUSSION

1. Define performance appraisal.
2. List out the main characteristic of performance appraisal.
3. What are the three categories in which performance appraisal methods can be classified?
4. Write a short note on:
   (a) Graphic rating scale
   (b) Appraisal interview

(c) Forced choice method

(d) MBO

5. What are the factors affecting employee performance appraisal?
6. What is rating errors?
7. Highlight some of the limitations of performance appraisal.
8. Discuss the objectives of performance appraisal.
9. Explain various dimensions of performance.
10. Explain the process of performance appraisal step by step in detail.

Check Your Progress: Answers

1. Performance appraisal
2. Transfers
3. Job
4. Input
5. Checklist
6. Forced choice

12.19 REFERENCE/ SUGGESTED READINGS

Armstrong, M. (2020). *Armstrong's handbook of performance management* (6th ed.). Kogan Page.

Dessler, G. (2022). *Human resource management* (17th ed.). Pearson Education.

Gupta, C. B. (2019). *Performance appraisal: Methods, ethics, and effectiveness*. Journal of Human Resources Management, 14(3), 45-61.

Noe, R. A., Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2021). *Fundamentals of human resource management* (9th ed.). McGraw-Hill Education.

Rao, T. V. (2021). *360-degree feedback and performance appraisal: Practices in India*. Indian Journal of Management Studies, 19(2), 22-38.

Roberts, G. E. (2020). *Ethical considerations in performance appraisal: Balancing accuracy and fairness*. Human Resource Review, 30(1), 45-57.

Sharma, A., & Singh, V. (2019). *Factors affecting performance appraisal in modern organizations*. Journal of Organizational Behavior, 16(2), 32-47.

Tripathi, P., & Jain, S. (2022). *Appraisal interviews: Strategies for improving feedback effectiveness*. Journal of Business Communication, 18(1), 54-68.

factors affecting employee performance appraisal?

What is rating errors

Highlight ... of the limitations of performance appraisal.

Discuss ... of performance appraisal.

Explain ... dimensions of performance.

... the process of performance appraisal step by step in detail

Check Your Progress: Answers

Performance appraisal

Transfer

Checklist

Forced choice

12.19 SUGGESTED READINGS

V.S.P. Rao, *Human Resource Management*, Excel Books, New Delhi, 2005

P.L. Rao, *Comprehensive Human Resource Management*, Excel Books, New Delhi, 2004

D.K. Bhattacharyya, *Human Resource Management*, Excel Books, New Delhi, 2006

Robert L. Mathis and John H. Jackson, *Human Resource Management*, Thomson, 2007

K. Aswathappa, *Human Resource and Personnel Management*, Tata McGraw Hill, 2007

UNIT V

UNIT 13

WAGE AND SALARY ADMINISTRATION AND JOB EVALUATION

CONTENTS

Contd...

13.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Understand the concept of wages and salary determination
- Explain various methods of wage payment
- Compare and contrast between salary and wages
- Enumerate the basis for compensation
- Understand the concept of wages under various labour legislation
- Discuss the challenges affecting remuneration
- Describe wage regulation in India
- Understand the concept of job evaluation, its principles and methods
- Describe limitations and importance of job evaluation

13.1 INTRODUCTION

Workers render their services for wages and salary, also called, 'compensation'. In other words, workers exchange their work for compensation. The term compensation is an all-embracing word that comprises cash payments, which in addition to wages and salary, includes pensions, bonus and shared profits. There are other aspects of compensation which an employee looks for, such as promotion, words of praise, job satisfaction, job content, creativity and so on. It is, in fact, difficult to outline and explain all aspects of compensation at one place. Therefore, this lesson mainly deals with wage and salary administration. Wages and salary have their bearings on employee performance and, in turn, organisational performance. Therefore, services rendered by workers to the organisation have to be adequately paid for. Various theories of wages have been propounded in the past to look into this issue. Yet, none have been able duly cover all aspects of the issue. Dunn and Rachel have classified the central questions of wage theory as follows:

1. Why is the general wage level what it is?
2. What causes the wage structure to be what it is?
3. Why do these rates and structures vary widely between organisations and geographical regions?

Based on these, deciding how and what workers in an organisation should be paid for is what is covered under 'wage and salary administration. Accordingly, in the present lesson, we shall discuss the components of wage and salary administration, theories of wages, wage fixation and differentials.

Job evaluation is the systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others within the organisation. Job evaluation helps to establish internal equity between various jobs. Compensation administration intends to develop the lowest-cost pay structure that will not only attract, inspire and motivate capable employees but also be perceived as fair by these employees.

13.2 WAGE AND SALARY ADMINISTRATION

Employee compensation may be classified into two types – base compensation and supplementary compensation. Base compensation refers to monetary payments to employees in the form of wages and salaries. The term 'wages' implies remuneration to workers doing manual work. The term 'salaries' is usually defined to mean compensation to office, managerial, technical and professional staff. The distinction, however, is rarely observed in actual practice. Base compensation, it should be noted here, is a fixed and non-incentive payment on the basis of time spent by an employee on the job. Supplementary compensation signifies incentive payments based on actual performance of an employee or a group of employees. The term 'compensation administration' or wage and salary administration denotes the process of managing a company's compensation programme. The goals of compensation administration are to design a cost-effective pay structure that will attract, motivate and retain competent employees'.

13.2.1 Objectives

A sound plan of compensation administration seeks to achieve the following objectives:

- To establish a fair and equitable remuneration offering similar pay for similar work.
- To attract qualified and competent personnel.
- To retain the present employees by keeping wage levels in tune with competing units.
- To control labour and administrative costs in line with the ability of the organisation to pay.
- To improve motivation and morale of employees and to improve union management relations.
- To project a good image of the company and to comply with legal needs relating to wages and salaries.

13.3 DEFINITION OF WAGES UNDER LABOUR LEGISLATION

The *term* "wages" have been defined differently under various labour enactments. Some Acts instead of defining the term "wages" defined the term "basic wages" or "remuneration".

13.3.1 The Payment of Wages Act, 1936

Section 2(vi) of The Payment of Wages Act defined "wages" to mean:

(A) ll remuneration (whether by way salary, allowances or otherwise) expressed in terms of money or capable of being so expressed which would, if the terms of the employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, and includes:

a) any remuneration payable under any award or settlement between the parties or order of a Court;

b) any remuneration to which the person employed is entitled is respect of overtime work or holidays or any leave period;

c) any additional remuneration payable under the terms of employment (whether called a bonus or by any other name);

d) any sums which by reason of termination of employment of the person employed of such sum, whether with or without deductions but does not provide for the time within which the payment is to be made;

e) any sum to which the person employed is entitled under any scheme framed under any law for the time being in force;

It, however, does not include:

1. any bonus (whether under a scheme of profit-sharing or otherwise) which does not form part of the remuneration payable under the terms of employment or which is not payable under any award or settlement between the parties or order of a Court;
2. the value of any house-accommodation, or the supply of light, water, medical attendance or other amenity or of any service excluded from the computation of wages by a general or special order of the State Government;
3. any contribution paid by the employer to any pension or provident fund, and the interest which may have accrued thereon;
4. any travelling allowance or the value of any travelling concessions;
5. any sum paid to the employed person to defray special expenses entailed on him by the nature of his employment; or
6. any gratuity payable on the termination of employment in cases other than those specified in E. Gross. Compensation for Teams. American Management Association. New York:1995" three conditions must be satisfied:
   i) It must be a remuneration.
   ii) It must be payable if the terms of employment (express or implied) were fulfilled.
   iii) It must be payable in respect of employment or work done in such employment.

13.3.2 The Minimum Wages Act, 1948

Section 2(h) of the Minimum Wages Act, 1948 defines "wages" to mean: all remuneration capable of being expressed in terms of money, which would, if the terms of the contract of employment, express or implied, were fulfilled, be payable to a person. Employed in respect of his employment or of work done in such employment, and includes house rent allowance, but does not include:

(i) The value of:

   (a) any house accommodation, supply of light, water, medical attendance; or

   (b) any other amenity or any service excluded by general or special order of the appropriate Government;

(ii) any contribution paid by the employer to any Pension Fund or Provident. Fund or under any scheme of social insurance;

(iii) any travelling allowance or the value of any travelling concession;

(iv) any sum paid to the person employed to defray special expenses entailed on him by the nature of his employment; or

(v) any gratuity payable on discharge.

A perusal of the aforesaid definition reveals that three conditions must be satisfied before the payment can be said to be included therein: (i) it must be remuneration, (ii) such remuneration must be capable of being defined in terms of money, (iii) it should be payable after fulfilling the terms of contract of employment.

13.3.3 Payment of Bonus Act, 1965

Section 2(21) defines "Salary or Wage" to mean: all remuneration (other than remuneration in respect overtime work) capable of being expressed in terms of money, which would, if the terms of employment, express or implied, were fulfilled, be payable to an employee in respect of his employment or of work done in such employment and includes dearness allowance (that is to say, all cash payments, by whatever name called, paid to an employee on account of rise in the cost of living), but does not include:

(i) any other allowance which the employee is for the time being entitled to;

(ii) the value of any house accommodation or of supply of light, water, medical attendance or other amenity or of any service or of any concessional supply of foodgrains or other articles;

(iii) any travelling concession;

(iv) any bonus (including incentive, production and attendance bonus);

(v) any contribution paid or payable by the employer to any pension fund or provident fund or for the benefit of the employee under any law for the time being in force;

(vi) any retrenchment compensation or any gratuity or other retirement benefit payable to the employee or any ex-gratia payment made to him;

(vii)any commission payable to the employee.

Explanation

Where an employee is given to lie of the whole or part of the salary or wage to him, free food allowance or free food by his employer, such food allowance or the value of such food shall, for the purpose of this clause, be deemed to form part of the salary or wage of such employee.

13.3.4 Payment of Gratuity Act, 1972

Section 2(s) defines "Wages" mean: "all emoluments which are earned by an employee while on duty or on leave in accordance with the terms and conditions of his employment and which are paid or are payable to him in cash and includes dearness allowance but does not include any bonus, commission, house rent allowance, overtime wages and any other allowance".

13.3.5 Employees' State Insurance Act, 1948

Section 2(22) defines "Wages" to means all remuneration paid or payable in cash to a woman, if the terms of the contract of employment, express or implied, were fulfilled and includes;

1. such cash allowances (including dearness allowance and house rent allowance) as a woman is for the time being entitled to;
2. incentive bonus; and
3. the money value of the concessional supply of foodgrains and other articles; but does not include:

   (i) any bonus other than incentive bonus;

   (ii) overtime earnings and any deduction or payment made on account of fines;

   (iii) any contribution paid or payable by the employer to any pension fund or provident fund or for the benefit of the woman under any law for the time being in force; and

   (iv) any gratuity payable on the termination of service.

13.3.6 The Employees' Provident Fund and Miscellaneous Provisions Act, 1952

Section 2(b) defines "Basic Wages" to mean : all emoluments which are earned by an employee while on duty or on leave with wages in accordance with the terms of the contract of employment and which are paid or payable in cash to him. It, however, does not include:

(i) the cash value of any food concession;

(ii) any dearness allowance (that is to say, all cash payment by whatever name called paid to an employee on account of a rise in the cost of living), house rent allowance, overtime allowance, bonus, commission or any other similar allowance payable to the employee in respect of his employment or of work done in such employment;

(iii) any presents made by the employer.

13.3.7 Equal Remuneration Act, 1976

Section 2(g) defines "Remuneration" mean to: the basic wage or salary and any additional emoluments whatsoever payable, either in cash or in kind, to a person employed in respect of employment or work done in such employment, if the terms of the contract of employment, express or implied, were fulfilled.

13.3.8 Workmen's Compensation Act, 1923

Section 2(m): defines "Wages" to include any privilege or benefit which is capable of being estimated in money, other than a travelling allowance or the value of any travelling concession or a contribution paid by the employer of a workman towards any pension or provident fund or a sum paid to a workman to cover any special expenses entailed on him by the nature of his employment.

13.3.9 Industrial Disputes Act, 1947

Section 2(rr) defines "wages" to mean : all remuneration capable of being expressed in terms of money, which would, if the terms of employment, express or implied, were fulfilled, be payable to a workman in respect of his employment, or of work done in such employment, and includes-

(i) Such allowance (including dearness allowance) as the workman is for the time being entitled to:

(ii) The value of any house accommodation, or of supply of light, water, medical attendance or other amenity or of any service or of any concessional supply of foodgrains or other articles;

(iii) Any travelling concession;

It, however, does not include:

a) any bonus;

b) any contribution paid or payable by the employer to any pension fund or provident fund or for the benefit of the workman under any law for the time being in force;

c) any gratuity payable on the termination of his service.

13.4 OBJECTIVES OF WAGE AND SALARY ADMINISTRATION

The main objective of wage and salary administration is to establish and maintain an equitable wage and salary system. This is so because only a properly developed compensation system enables an employer to attract, obtain, retain and motivate people of the required calibre and qualification in his/her organisation. These objectives can be seen in a more orderly manner from the point of view of the organisation, its individual employees and collectively. These are outlined and discussed as follows:

13.4.1 Organisational Objectives

The compensation system should be duly aligned with the organisational need and should also be flexible enough to modification in response to change. Accordingly, the objectives of the system should be to:

- Enable an organisation to have the quantity and quality of staff it requires.
- Retain the employees in the organisation.
- Motivate employees for good performance and for further improvement in performance.
- Maintain equity and fairness in compensation for similar jobs.
- Achieve flexibility in the system to accommodate organisational changes as and when these take place.
- Make the system cost-effective.

13.4.2 Individual Objectives

From individual employee's point of view, the compensation system should have the following objectives:

- Ensure a fair compensation,
- Provide compensation according to the employee's worth,
- Avoid the chances of favouritism from creeping in when wage rates are assigned, and
- Enhance employee morale and motivation.

13.4.3 Collective Objectives

The objectives include:

- Compensation in ahead of inflation,
- Matching with market rates,
- Increase in compensation reflecting increase in the prosperity of the company, and
- Compensation system free from management discretion.

13.5 PRINCIPLES OF FIXATION OF WAGES AND SALARY

Salary or wage means all remuneration (other than remuneration in respect of over-timework) capable of being expressed in terms of money. Wages are defined broadly as any economic compensation paid by the employer to his labourers under some contract for the services rendered by them. In its actual sense which is prevalent in the practice, wages are paid to workers which include basic wages and other allowances which are linked with the wages like dearness allowances, etc., but does not include:

(i) Any other allowance which the employee is for the time being entitled to;

(ii) the value of any house accommodation or supply of light, water, medical attendance or other amenity or of any service or of any concessional supply of food grains or other articles;

(iii) Any traveling concession;

(iv) Any bonus (including incentive, production and attendance bonus);

(v) Any contribution paid or payable by the employer to any pension fund or provident fund or for the benefit of the employee under any law for the time being in force;

(vi) Any retrenchment compensation or any gratuity or other retirement benefit payable to the employee or any ex gratia payment made to him;

(vii) Any commission payable to the employee.

The main principles that govern wage and salary fixation are three:

1. ***External Equity:*** This principle acknowledges that factors/variables external to the organisation influence levels of\compensation in an organisation. These variables are such as demand and supply of labour, the market rate, etc. If these variables are not kept into consideration while fixing wage and salary levels, these may be insufficient to attract and retain employees in the organisation.

   The principles of external equity ensure that jobs are fairly compensated in comparison to similar jobs in the labour market.

2. ***Internal Equity:*** Organisations have various jobs which are relative in value term. In other words, the values of various jobs in an organisation are comparative. Within your own Department, pay levels of the teachers (Professor, Reader, and Lecturer) are different as per the perceived or real differences between the values of jobs they perform. Thus, an ideal compensation system should establish and maintain appropriate differentials based on relative values of jobs. In other words, the compensation system should ensure that more difficult jobs should be paid more.

3. ***Individual Worth:*** According to this principle, an individual should be paid as per his/her performance. Thus, the compensation system, as far as possible, enables the individual to be rewarded according to his contribution to the organisation.

Alternatively speaking, this principle ensures that each individual's pay is fair in comparison to others doing the same/similar jobs, i.e., 'equal pay for equal work'. In sum and substance, a sound compensation system should encompass factors like adequacy of wages, social balance, supply and demand, fair comparison, equal pay for equal work and work measurement.

13.5.1 Principles of Wage Determination

The basic principle of wage and salary fixation is that it should be based on the relative contributions of different jobs and not on the basis of who the job holders are. If this principle is adopted, the first requirement is to identify the likely contributions of different jobs. This is what job evaluation precisely does. It provides the information about what is the worth of a job in terms of its contributions to the achievement of organisational effectiveness.

There are several other principles of wage and salary plans and practices. The important ones among them are:

1. Wage and salary plans should be sufficiently flexible.
2. Job evaluation must be done scientifically.
3. Wage and salary administration plans must always be consistent with overall organisational plans and programmes.
4. Wage and salary administration plans and programmes should be in conformity with the social and economic objectives of the country like attainment of equality in income distribution and controlling inflationary trends.
5. Wage and salary administration plans and programmes should be responsive to the changing local and national conditions.
6. These plans should simplify and expedite other administrative processes.

13.5.2 Overcoming Anomalies

Job evaluation, if carried on periodically and objectively, helps in overcoming various anomalies which may develop in an organisation over the period of time with regards to compensation management. Knowles and Thompson have identified that there are following anomalies and evils which may develop in an organisation and may be overcome by job evaluation:

1. Payment of high wages and salaries to persons who hold jobs and positions not requiring great skill, effort and responsibility;
2. Paying beginners less than that they are entitled to receive in terms of what is required of them;
3. Giving a raise to persons whose performance does not justify the raise;
4. Deciding rates of pay on the basis of seniority rather than ability;
5. Payment of widely varied wages and salaries for the same or closely related jobs and positions; and
6. Payment of unequal wages and salaries on the basis of race, sex, religion, or political differences.

As the major production cost, wages affect profits, business investment, competitiveness, and are a cost push inflationary factor. As the major income in the economy, wages affect standard of living, income distribution and poverty, and demand pull inflation. As the source of wage disputes is the employer treating wages as their major cost, and the employee viewing wages as their major income.

13.5.3 Norms for Fixation of Wages in Industry

1. While computing the minimum wages, the standard working class family should be considered as consisting of four consumption units and the earnings of women, children and adolescents should be excluded.
2. The minimum food requirements should be determined on the grounds of a net intake of 2700 calories as laid down by Akroyd for a normal adult in India.
3. Clothing needs should be established on the basis of a per capita consumption of 16.62 meters per year.
4. As regards to housing, the minimum wages should be determined from the standpoint of the rent corresponding to the minimum area specified under the government Industrial Housing Scheme.

5. Miscellaneous expenditure on items such fuel, lighting, etc. should from 20 percent of the total minimum wage. The resolution further prescribes that the authorities involved in the issue should justify any deviation from these norms.

The following principles have always been the basis of the wage determination process. All are economically valid. At different stages they have collectively, and singularly, been used to determine wage increases

1. ***Preserving Real Income:*** This is the argument used by employees and unions viewing wages as an income. Following this principle usually results in wages being indexed to inflation. In periods of rising inflation, indexation becomes a problem of an institutionalised wage-price spiral. Underlying aspects that have also impacted on real wage preservation arguments have been a "basic" minimum wage, and comparative wage justice.

2. ***Labour Productivity:*** A valid economic theory connects wages to labour productivity. Conflict arises over the measurement of productivity. Rewarding labour with a wage increase when technology, and/or capital investment, increases labour efficiency may not be justified.

3. ***The Capacity of Business to Afford Wage Increases:*** This emphasizes wages as a cost of production, and the threat of wage increases to squeeze profits. This "capacity" argument is that followed by business owners.

4. ***The Capacity of the Economy to Absorb Wage Increases:*** This "capacity" argument views the macro impact of wage increases on inflation, competitiveness, and other aspects of internal and external balance; as well as the effect on business profits and investment from the three. This is the main argument of the Federal Government recognising the macro policy potential of an Incomes Policy to address external and internal balance goals to supplement demand management policies, and the effects on income distribution.

5. ***Supply and Demand of Labour:*** The labour market conditions or supply and demand forces operated at the national, regional and local levels, and determine organisational wage structure and level. If the demand for certain skills and the supply are low, the result is a rise in the price to be paid for these skills. The other alternative is to pay higher wages if the labour supply is scarce, and lower wages when it is excessive.

6. ***Prevailing Market Rate:*** This is also known as the 'comparable wage' or 'going wage rate' and is most widely used criterion. An organisation's compensation policies generally tend to conform to the wage – rates payable by the industry and the community. It is observed: some companies pay on the high side of the market in order to obtain goodwill or to insure adequate supply of labour, while other organisations pay lower wages because economically they have to, or because by lowering hiring requirements they could keep jobs adequately manned.

7. ***Living Wage:*** This means that wages paid should be adequate to enable an employee to maintain himself and his family at a reasonable level of existence. However, employers do not generally favour using the concept of a living wage as a guide to wage determination because they prefer to base the wages of an employee on his contribution rather on his need.

8. ***Managerial Attitudes:*** Top management's desire to maintain or enhance the company's prestige is a major factor in the wage policy of a number of firms. Desires to improve or maintain morale, to attract high caliber employees, to reduce turnover, and to provide a high living standard for employees as possible also appear to be factors in management's wage policy decisions.

9. ***Psychological and Social Factors:*** These determine in a significant measure how hard a person will work for the compensation received or what pressures he would exist to get his compensation increased. Psychologically, persons perceive the level of wages as a measure of success in life, people might feel secure, has an inferiority complex, seem inadequate or feel the reverse of all these. Sociologically and ethically, people feel that "equal work should carry equal wages" that 'wages should be commensurate with their efforts' that they are not exploited and "that no distinction is made on the basis of caste, colour, sex or religion". To satisfy the conditions of equity, fairness and justice, a management should take these factors into consideration.

13.5.4 Principles of Wage and Salary Administration

The government of India provides many regulations for regulating the wages and salary administration such as,

- The Minimum Wages Act, 1998
- The Equal Remunerations Act, 1976
- The Companies Act, 1956
- The Industrial Dispute Act, 1956
- The Payment of Wages Act, 1936, etc.

The following guidelines should be followed in the administration of wages and salary,

1. Wage policy should be developed keeping in view the interests of the employer, the employees, the consumers and the community.
2. Wage policy should be stated clearly in writing to ensure uniform and consistent application.
3. Wage and salary administration should be consistent with the overall plans of the company. Compensation planning should be an integral part of the financial planning.
4. Wage and salary plans should be sufficiently flexible or responsive to changes internal and external conditions of the organisation.
5. Management should ensure that employees know and understand the wage policy of the company.
6. All wages and salary decisions should be checked against the standards set in advance in the wage policy.
7. Wage and salary plans should simplify and expedite administrative process.
8. An adequate database and proper organisational setup should be developed for compensation determination and administration.
9. Wage policy and programme should be reviewed and revised periodically in conformity with changing needs.

Thus, by following the above mentioned principles of determination and administration of wages and salary the objectives such as - to establish fair and equitable remuneration, to attract competent personnel, to retain present employees, to improve productivity, to control costs, to establish job sequences and lines of promotion wherever applicable, to improve union management relations, to improve public image of the company can be effectively met.

13.6 COMPONENTS OF WAGE AND SALARY ADMINISTRATION

While the objective of wage and salary administration, as mentioned in the beginning of the chapter, is as simple, the process is not so easy and simple. In fact, it is a complex one, especially since the 'fair wage' is a relative term viewed differently by different parties. For example, while the employer will be concerned primarily with productivity, the employee's concern will be on wage rates that can offset the effects of inflation.

13.6.1 The Elements of Wage and Salary System

Wage and salary systems should have a relationship with the performance, satisfaction and attainment of goals of an individual. Henderson identified the following elements of a wage and salary system:

1. Identifying the available salary opportunities, their costs, estimating the worth of its members, of their salary opportunities and communicating them to employees.
2. Relating salary to needs and goals.
3. Developing quality, quantity and time standards related to work and goals.
4. Determining the effort necessary to achieve standards.
5. Measuring the actual performance.
6. Comparing the performance with the salary received.
7. Measuring the job satisfaction of the employees.
8. Evaluating the unsatisfied wants and unrealised goals aspirations of the employees.
9. Finding out the dissatisfaction arising from unfulfilled needs and unattained goals.
10. Adjusting the salary levels accordingly with a view to enabling the employees to reach unreached goals and fulfill the unfulfilled needs and aspirations.

Based on Belcher's classification of the compensation management, we have for the purposes of our analysis considered two broad components of wage and salary administration. These are:

- Determination of wages and salary.
- Wages/salary structures.

Both are now discussed one by one.

13.6.2 Determination of Wages and Salary

The starting point of wage and salary administration is the determination of wages and salary levels. The wage/salary of employee in the organised sector in India is determined by a variety of factors. All these factors are classified into four categories:

Wage enactments (both Central and State Governments).

- Prevalent wage rates.
- Influence of trade unions.
- Corporate philosophy on wages.

Lantham has listed the following five factors that have a bearing on the formulation of wages/salary levels:

1. ***Cost of Living:*** Workers need to be paid compensation adequate to maintain an acceptable level of living. The concept of 'minimum wage' is based on the same justification. However, wage/salary fixed once becomes inadequate to maintain the required level of living due to inflationary spirals increasing the cost of living. Thus, the increase in cost of living calls for fixation of compensation accordingly. In order to offset the increased cost of living, compensation is, then, fixed by increasing dearness allowance based on the cost of living index.

2. ***Productivity:*** Productivity can be expressed as production in relation to time unit. Productivity increases production and decreases costs. As per the principle of payment by performance, if the productivity of the worker is high, wage/salary rates will be high. Conversely, if productivity of the worker is low, wage/salary rates tend to be low. Thus, any shift in productivity has its impact on the wage level of the worker.

   Here, it is important to mention that productivity increases are not due to the worker's efforts alone. It may also be due to better organisation and management, technological development, etc. The results (profits) of increased productivity available to the employer need to be distributed in a manner acceptable to the employees, the management and the customers. However, there has not been any productivity index that can measure only the productivity of a specific factor including worker. Though theoretically sound criterion, it is operationally a complicated one.

3. ***Prevailing Wage Rates:*** In order to attract and retain workers in the organisation, wage/salary rates are fixed as per the prevailing rate in the region. This is also called the 'going wage rate' which is the most widely used criterion of wage/salary fixation. The prevailing wage rate is, thus, fixed based on inter-firm wage comparisons. This is because of several reasons. *First,* various government laws and judicial decisions make the adoption of uniform wage rates compulsory. *Second,* trade unions accept and encourage this system to ensure equal pay for equal work across the industries and regions. *Third,* all firms functionally related in an industry requires essentially the same quality of employees with the same or about the same skills and experience. However, if the wage/salary is not paid to the employees as are paid for by the other organisations (competitors), it will be difficult for the organisation to attract and retain a sufficient quantity and quality of employees.

4. ***Ability to Pay:*** This criterion of wage/salary fixation is based on the dictum, *"Cut your coat according to the size of your cloth"*. Following this, organisations do also fix wages as for what they can afford to pay. The reason being an increased wage cost or better call it 'wages beyond one's affordable capacity', cannot enable the organisation to sustain in a competitive environment especially in the long run. Such wage cost only pushes up the unit cost, thus, cutting into the market share of the organisation. In such a case, organisations resort to cost cutting and the axe may fall on the wage and salary levels. It is mainly the ability-to-pay criterion, that the organisations, which earn high profits pay higher wages as compared to those whose profits are low or are incurring losses. Wage differentials between organisations are due to the same reason, i.e., ability to pay.

5. ***Attraction and Retention of Employees:*** The quantity and quality of employees an organisation needs to employ also determine the levels of wages and salary fixed. For example, wage/salary rates will be fixed at a higher level if the organisation needs quality people to be employed and retained. If the availability

of jobs is scarce, the wages and salary levels will be low. Wage levels may also be low even lower than the prevailing wage rate if the firm's economic situation is such that it cannot afford to pay the prevailing wage rate in the industry or region.

13.6.3 Wage/Salary Structure

Jobs offered by an organisation vary in terms of their values. Job value is ascertained by job evaluation. Job evaluation is a systematic method of appraising the value of each job in relation to other jobs in an organisation. Once all jobs are assigned values, and then these are placed in a grade, or say, a rate per job. These grades are arranged in a hierarchical order starting with lower to higher jobs. Thus, wage/salary structure consists of the various salary grades and their different levels of single jobs or group of jobs. This will be more clear from the following salary/pay structure of teachers at present in a University:

Professor: ₹ 16,400-450-20,900-500-22,400

Reader: ₹ 12,000-420-18,300

Lecturer: ₹ 8,000-275-13,500

13.6.4 How to Devise a Salary Structure?

Like wage and salary fixation discussed earlier, there might be so many ways to devise a salary structure. However, the simplest way to devise a salary structure is outlined here as follows:

1. Ascertain and establish, on the basis of market rate surveys and studies of existing salary structures, the most senior and most junior jobs to be covered by the salary structure.
2. Based on the above, draw up a salary grade structure ranging from the lowest limit to the highest limit along with the width of salary gaps between jobs and the size of overlap between different grades.
3. Make a job evaluation exercise. This can be done by any method of job evaluation. However, job evaluation by means of a simple ranking scheme is preferable.
4. Procure market rate data keeping in mind that there is likely to be a range of market rates in existence in the labour market.
5. Finally, based on the results of job evaluation and market rate surveys and studies, arrange all jobs in the grades in an hierarchical order. In fact, it is the stage where a good decision is required.

There are two more elements involved in a salary structure:

1. Salary progression, and
2. Broadbanding.

A brief description of these is given below:

1. ***Salary Progression:*** As the term itself implies, it refers to a sequence of progress in salary. In other words, salary progression relates to increases in salary to merit. It relates compensation/salary to performance on a consistent and equitable manner. The procedure of salary progression is characterised by the following key features:

   i) The salary grades are divided into defined areas or zones. An employee will pass through these stages or zones as he/she progresses in experience. For example, a Professor in a University starts with a basic pay of ₹ 16,400 and touches ₹ 20,900 after 10 years' experience and ₹ 22,400 after 13 years' experience.

ii) There is an incremental rate at which an employee progresses along with the salary grade. In the above example, the incremental system consists of a rate of ₹ 450 per year during the first 10 years' period and ₹ 500 per year during the last 03 years' period of experience.

2. ***Broadbanding:*** Broadbanding means a process reducing salary grades to limited ones. In other words, broadbanding means collapsing salary grades and ranges into a few broad and wide levels or 'bands' each consisting of a relatively wide range of jobs and salary levels. As mentioned earlier, in a University, for example, all teaching jobs are reduced to three broad grades, namely, Professor, Reader and Lecturer. This broadbanding of grades is more popular in industrial organisations employing huge number of employees. For example, Toyota has broadbanded all jobs into just five grades or bands. Similarly, General Electric has been able to restructure its jobs into three job classifications, viz., *Division I:* Production Members, *Division II:* General. Maintenance Team Managers and *Division III:* All Tie and Dye Members. The main advantage of broadbanding is that it injects greater flexibility into employee compensation. It is especially sensible where firms flatten their hierarchies and organise around self-managing teams.

13.7 METHODS OF WAGE PAYMENT

Before we discuss the methods of wage payment, let us first know what does wage mean. In the widest sense, wages mean any economic compensation paid to the employee under some contract to the workers for the services rendered by them. Based on the needs of the workers, capacity of the employer to pay and the general economic conditions prevailing in a country, the committee on Fair Wages (1948) and the 15th session of the Indian Labour Conference (1957) propounded certain wage concepts such as minimum wage, fair wage, living wage and need-based minimum wage. While the first three types (concepts) of wages were defined by the Committee on Fair Wages, the last one was defined by the 15th session of the Indian Labour Conference. These definitions are considered here one by one.

- ***Minimum Wage:*** A minimum wage is a compensation to be paid by an employer to his workers, irrespective of his ability to pay. The Committee on Fair Wage has defined minimum wage thus: "The wage must provide not only for the bare sustenance of life but for the preservation of the efficiency of the workers. For this purpose, minimum wage must provide some measures of education, medical requirements and amenities".

- ***Living Wage:*** A living wage is one which should enable the earner to provide for himself and his family and not only the bare essentials of food, clothing and shelter but a measure of frugal comfort, including education for his children, protection against ill-health, requirement of essential social needs and a measure of insurance against the more important misfortunes, including old-age. "Thus, a living wage represents a standard of living. A living wage is fixed considering the general economic conditions of the country.

- ***Fair Wage:*** Fair wage, according to the committee on Fair Wage 1, is the wage which is above the minimum wage but below the living wage. The lower limit of the fair wage is obviously the minimum wage; the upper limit is set by the capacity of the industry to pay. The concept of fair wage is essentially linked with the capacity of the industry to pay. The fair wage depends on considerations of such factors as: *(i)* the productivity of labour, *(ii)* the prevailing rates of wages in the same or neighbouring localities, *(iii)* the level of the national income and its distribution, and *(iv)* the place of the industry in the economy of the country.

- ***Need-Based Minimum Wage:*** The Indian Labour Conference in its 15th session held in July 1957 suggested that minimum wage should be need-based and should ensure the minimum human needs of the industrial worker, irrespective of any other consideration.

The need-based minimum wage is calculated on the following basis: *(i)* The standard working class family should be taken to consist of 3 consumption units for the earner; the earnings of women, children and adolescents should be disregarded, *(ii)* The minimum food requirements should be calculated on the basis of the net intake of 2,700 calories, as recommended by Dr. Akroyd, for an average Indian adult of moderate activity, *(iii)* The clothing requirements should be estimated at a per capita consumption of 18 yards per annum which would mean an average worker's family of 4 would require a total of 72 yards per annum *(iv)* In respect of housing, the norms should be the minimum rent charged by the Government in any area for houses provided under the Subsidised Housing Scheme for low income groups, and *(v)* Fuel, lighting and other miscellaneous items of expenditure should constitute 20 per cent of the total minimum wage.

However, the Minimum Wages Act, 1948 did not define minimum wage. While employers go by the definition given by the Committee on Fair Wages, 1948, expectedly the Trade Unions like to consider the need-based minimum wage concept.

There are two basic methods of wage payment, i.e., (a) payment by time, and (b) payment by results (PBR).

a) ***Payment By Time:*** This is the age-old and most prevalent method of wage payment. In this method, the employee is paid on the basis of time worked such as per day, per week and per month rather than output. This is the main difference between this system and the incentive system. The wage rate is predetermined by negotiation, by reference to local rates or by job evaluation. This method is useful when a worker has to do unstandardised job. This is generally the method adopted for white collar clerical and managerial jobs.

   The advantage of payment by time-rate for an employee is that earnings are predictable and steady. This breeds a sense of security by assuring employees a fixed packet. The employee also does not need to argue with wage fixer about his/her remuneration.

   However, the disadvantage of time-rate is that it does not provide for any motivation of a direct incentive relating the reward to the effort.

b) ***Payment By Results (PBR):*** Under this method, the wage/pay of an employee is paid on the basis of the number of items an employees produces in the organisation rather than considering the job done by the employee at a given time. These may be through the following three systems:

   1. ***Straight Piece Work:*** Under this method, wage payment is made to employees at a uniform rate per unit of production. In other words, in this system, the employee is paid a flat price (in money) for each unit or piece completed or paid for the time allowed to complete the particular task: This method of wage payment is more appropriate where production is of repetitive character and can easily be divided into similar units of production.

   2. ***Differential Piece-Work System:*** In this method, wage is paid in relation to output. The rate of wages per unit of production decreases with increase in production. But, wage rate per hour still increases, of course, not in proportion

to the increased output. This method is applicable where efforts can be related to production and work is standardised, repetitive and measurable.

3. ***Balance Method:*** This method is a combination of time wage and piece wage methods. In this method, a worker is paid a fixed wage based on the time rate with a provision of piece wage method. How? This is just like minimum rent with a provision of short working recoupment in case of royalty. If a worker produces less quantity in a period, he is given wages as per time rate and excess payment over piece rate is treated as credit. This credit is compensated in the period when he/she produces more than the time-rate wages. Thus, he is given time-wage whether he produces more or less than it, i.e., time-wage.

This method ensures the worker the receipt of a fixed amount as wage in all cases. From workers point of view, this method has relevance in work situation where work flow is flexible/irregular such as docks. This method is also known as *'debt method'*.

13.8 THEORY OF WAGES

How much and on which basis wages should be paid *to* the workers for the services rendered by them has been the subject matter of great concern and debate among economic thinkers for a long time. This has given birth to several wage theories, i.e., 'how wages are determined'. From them, some important theories of wages are discussed here.

- ***Wages Fund Theory:*** This theory was developed by Adam Smith (1723-1790). His theory was based on the basic assumption that workers are paid wages out of a pre-determined fund of wealth. This fund, he called, wages-fund was created as a result of savings. According to Adam Smith, the demand for labour and rate of wages depends on the size of the wages-fund. Accordingly, if the wages-fund is large, wages would be high and vice versa.
- ***Subsistence Theory:*** This theory was propounded by David Recardo (1772-1823). According to this theory, "the labourers are paid to enable them to subsist and perpetuate the race without increase or diminution". This payment is also called as 'subsistence wages'. The basic assumption of this theory is that if workers are paid wages more than the subsistence level, the workers' number will increase and, as a result, wages will come down to the subsistence level. On the contrary, if workers are paid less than the subsistence wages, the number of workers will decrease as a result of starvation death, malnutrition, disease, etc., and many would not marry. Then, wage rates would again go up to subsistence level. Since wage-rate tends to be at subsistence level at all cases, is theory is also known as 'Iron Law of Wages'. The subsistence wages refers to the minimum wages.
- ***Surplus Value Theory of Wages:*** This theory was developed by Karl Marx (1849-1883). This theory is based on the basic assumption that like other article, labour is also an article which could be purchased on payment of its price i.e., wages. This payment, according to Karl Marx, is at subsistence level which is less than in proportion to time labour takes to produce items. The surplus, according to him goes to the owner. Karl Marx is well-known for his advocation in favour of labour.
- ***Residual Claimant Theory:*** This theory owes its development to Francis A. Walker (1840-1897). According to Walker, there are four factors of production or business activity, viz., land, labour, capital and entrepreneurship. He views that once all the other three factors are rewarded what remains left is paid as wages to workers. Thus, according to this theory, worker is the residual claimant.

- ***Marginal Productivity Theory:*** This theory was propounded by Phillips Henry Wicksteed (England) and John Bates Clark of U. S. A. According to this theory, wages is determined based on the production contributed by the last worker, i.e. marginal worker. His/her production is called 'marginal production'.
- ***Bargaining Theory of Wages:*** John Davidson was the propounder of this theory. According to this theory, the fixation of wages depends on the bargaining power of workers/trade unions and of employers. If workers are stronger in the bargaining process, then wages tends to be high. In case, the employer plays a stronger role, then the wages tend to be low.
- ***Behavioural Theories of Wages:*** Based on research studies and action programmes conducted, some behavioural scientists have also developed theories of wages. Their theories are based on elements like employee's acceptance to a wage level, the prevalent internal wage structure, employee's consideration on money or wages and salaries as motivators.
- ***Wage Differentials:*** As there are individual differences, so are wage differentials. An organisation offers different jobs, thus, differentials in wages for different jobs are inevitable. Wage differentials are also known as inter-industry, inter-firm, inter-area or geographical differentials. Wage differentials may be due to following causes:

    1. *Occupational Differences:* Occupations in an organisation widely differ from one another in terms of skill requirement and the extent of requirement and the extent of responsibility. Accordingly, wages vary from occupation to occupation. Such differences in occupations induce people/workers to undertake more challenging jobs, encourage workers to develop their skills by way of education and training. It is varying skill requirements for different occupations that shape the manpower planning in an organisation, be it an industrial organisation or an educational institute.
    2. *Inter-firm Differentials:* There are wage differentials of workers in different plants in the same area and occupation. Factors like differences in quality of labour employed by different firms, imperfections in the labour market and differences in the efficiency of equipments and supervision result in inter-firm wage differentials. Added to these are differences in technological advance, managerial efficiency, financial capability, firm's age and size, availability of raw material, power and transport facilities which also account for differences in wages among firms.
    3. *Regional Differences:* Not only wages differ among occupations but these also differ in case of workers working in the same occupation at different geographical regions. These differences are the result of working conditions prevalent in different regions of the country. Sometimes, such wage differentials are used to attract people to serve in particular regions.
    4. *Inter-Industry Differences:* These differences in wages surface in case of workers working in the same occupation and the same area but in different industries. These differences are the result of varying skill requirements, level of unionisation, nature of product market, ability to pay, the stage of development of an industry, etc.
    5. *Personal Wage Differences:* These differences arise because of the differences in the personal characteristics (age or sex) of workers working in the same unit and occupation. Though provision of 'equal pay for equal work' is certainly there it is still not the reality. Instances are there when a woman worker is paid less than her male counterpart for doing the same job. Of

course, there are other reasons also which cause wage differentials between male and female workers.

After all, what is the rationale behind wage differentials? How do we achieve equal wages for equal work? What is the rationale behind this? There are two views about it. One, in view of the principles of socialistic pattern of society in which the object of the representative Government is to minimise inequalities in incomes and distribution of wealth. On the other hand, the other point of view is that wage differentials are justified given the wide differences in demand and supply of jobs along with wide variations in job requirements like skill, ability, aptitude, knowledge, experience and so on. That wage differentials ensure full employment of the national resources and this is yet another justification given in support of the wage differentials.

13.9 DIFFERENCE BETWEEN SALARY AND WAGES

The difference between wage and salary defines more than how much you end up making per year. We use the terms often to describe differences in the types of work, as well as what is actually counted in the final total.

Wages are generally paid per hour. This means that you have to be present and working in order to get paid. Most of the time, wage jobs are not as inclusive when it comes to things like paid vacations, or paid sick days. Wage earners often have to give up pay for leaving early, coming in late, missing a day, or taking a vacation.

Salary refers to how much you get paid every year. Salary earners rarely have to punch a time clock, or keep an accurate account of their hours, because they get paid for performance rather than by the hour. Salaried workers are much more likely to have paid sick days and paid vacations, and are not docked pay for being late or leaving early from time to time.

Salary can also be counted in terms other than money. Some companies consider reimbursement for things like medical insurance as part of your salary. You can even find some companies blending education and retirement contributions as part of your salary package.

Historically, we often refer to manual labour jobs as wage jobs, and professional jobs as salaried positions. Wage earners are more likely to be found in positions with high turnover, while salaries are often assigned for positions with low turnover.

We express wages as an hourly payment. We express salary as packages. You might find that you receive a base salary, stock options, retirement, benefits, and bonuses as a salary package.

Wages are more likely to be added up into additional payments. If you work 50 hours in one week, you may receive your first 40 hours at the regular pay rate, and the additional 10 hours at 1½ times your normal pay rate. Salary earners are not often given the opportunity to get paid extra for additional hours.

13.10 EXECUTIVE/MANAGERIAL REMUNERATION

The objective of remuneration is to duly compensate employees for the services rendered by them. Therefore, employers need to pay a fair and satisfactory remuneration to their employees. Fair remuneration depends on one's ability and performance. That is precisely the reason remuneration/ wages vary from employee to employee, as seen earlier, mainly due to differences in ability and performance of employees. As managerial jobs require more qualification, skill and knowledge and involve more responsibilities, they need greater incentives to ensure the greater commitment to their jobs.

In view of this, the manager's remuneration cannot be decided on a general basis as for the rank and file workers. In case of the managerial remuneration, certain fringe benefits are given solely to the managers as added incentives to duly compensate for their skills and performance. As regards executive compensation in India, it is mainly based on three important factors: job complexity, employers' ability to pay and executive human capital. Each of these factors themselves depends on other factors. For example, the complexity of the manager's job will depend on the size of the company in terms of employees, sales volume, assets' growth, number of units, etc. On the whole, the managerial remuneration in India is based on performance and efficiency.

13.11 CHALLENGES AFFECTING REMUNERATION

People who administer wage and salary face challenges which often necessitate adjustments to a remuneration plan. The more important of the challenges are skills-based pay, salary reviews, pay secrecy, comparable worth, and international pay.

Skill-based pay: In the traditional job-based pay, employees are paid on the basis of jobs they do. In the skill-based system, workers are paid on the basis of number of jobs they are capable of doing, or on the depth of their knowledge.

The purpose of this system is to motivate employees to acquire additional skills so that they become more useful for the organisation.

Skill-based pay systems work well when the following conditions exist:

1. A supportive HRM philosophy underpins all employment activities. Such a philosophy is characterised by mutual trust and the conviction that employees have the ability and motivation to perform well.
2. Other programmes such as profit sharing, participated management, empowerment, and job enrichment complement the skill-based pay system.
3. Technology and organisational structure change frequently.
4. There are opportunities to learn new skills.
5. Employee turnover is relatively high.
6. Workers value teamwork and opportunity to participate.

13.11.1 Pay Reviews

Pay once determined, should not remain constant. It must be reviewed and changed often, but how often becomes a relevant question. Pay reviews may be made on predetermined dates, anniversary dates or there could be flexible reviews. In the fixed-date reviews, wages and salaries of all employees are reviewed and raised on a specified date each year - In the anniversary - date reviews, salaries may be reviewed at twelve-month intervals from the date of the employee's anniversary date of hire. Using variable timing ensures flexibility.

In addition, high-performing employees, who are low on their salary ranges, can be rewarded more frequently.

In organised industrial establishments, pay reviews take place once in three years. In government departments, pay revisions take place once in ten or fifteen years. Revisions will depend on the recommendations of the Pay Commission.

13.11.2 Pay Secrecy

Equity in remuneration is a significant factor in employee performance. Perceived inequity in wages and salaries will de-motivate and demoralise employees which will lower employee performance. One way of avoiding this problem is for managements to maintain pay secrecy. This is particularly true in family-controlled and non-unionised organisations, where objective and defensible pay structures do not exist.

13.11.3 Comparable Worth

One of the popular principles in employee remuneration is equal pay for equal work. Beyond the concept of equal wages for equal work, is the idea of comparable worth which implies that if both a nurse and an electrical receive the same number of points under a point-ranking method of job evaluation, they have to be paid the same subject, of course, to seniority and merit differences.

Any bias in the job-evaluation process is sure to render a comparable worth unworkable. Bias is bound to occur in job evaluations because of the tendency to assign higher number of points for jobs traditionally held by women.

13.12 COMPENSATION ADMINISTRATION

Compensation is what employees receive in exchange for their contribution to the organisation. Generally, employees offer their services for three types of rewards. Pay refers to the base wages and salaries employees normally receive. Compensation forms such as bonuses, commissions and profit-sharing plans are incentives designed to encourage employees to produce results beyond normal expectation. Benefits such as insurance, medical, recreational, retirement, etc., represent a more indirect type of compensation. So, the term 'compensation' is a comprehensive one including pay, incentives, and benefits offered by employers for hiring the services of employees. In addition to these, managers have to observe legal formalities that offer physical as well as financial security to employees. All these issues play an important role in any HR department's efforts to obtain, maintain and retain an effective workforce.

13.12.1 Nature of Compensation

Compensation offered by an organisation can come both directly through base pay and variable pay and indirectly through benefits.

- ***Base Pay:*** It is the basic compensation an employee gets, usually as a wage or salary.
- ***Variable Pay:*** It is the compensation that is linked directly to performance accomplishments (bonuses, incentives, stock options, etc.).
- ***Benefits:*** These are indirect rewards given to an employee or group of employees as a part of organisational membership (health insurance, vacation pay, retirement pension, etc.)

13.12.2 Objectives of Compensation Planning

The most important objective of any pay system is fairness or equity. The term 'equity' has three dimensions.

a) ***Internal Equity:*** This ensures that more difficult jobs are paid more.

b) ***External Equity:*** This ensures that jobs are fairly compensated in comparison to similar jobs in the labour market.

c) ***Individual Equity:*** It ensures equal pay for equal work, i.e., each individual's pay is fair in comparison to others doing the same/similar jobs.

In addition, there are other objectives also. The ultimate goal of compensation administration (the process of managing a company's compensation programme) is to reward desired behaviours and encourage people to do well in their jobs. Some of the important objectives that are sought to be achieved through effective compensation management are listed below:

a) ***Attract Talent:*** Compensation needs to be high enough to attract talented people. Since many firms compete to hire the services of competent people, the salaries offered must be high enough to motivate them to apply.

b) ***Retain Talent:*** If compensation levels fall below the expectations of employees or are not competitive, employees may quit in frustration.

c) ***Ensure Equity:*** Pay should equal the worth of a job. Similar jobs should get similar pay. Likewise, more qualified people should get better wages.

d) ***New and Desired Behaviour:*** Pay should reward loyalty, commitment, experience, risk taking initiative, and other desired behaviours. Where the company fails to reward such behaviours, employees may go in search of greener pastures outside.

e) ***Control Costs:*** The cost of hiring people should not be too high. Effective compensation management ensures that workers are neither overpaid nor underpaid.

f) ***Comply with Legal Rules:*** Compensation programmes must invariably satisfy governmental rules regarding minimum wages, bonus, allowances, benefits, etc.

g) ***Ease of Operation:*** The compensation management system should be easy to understand and operate. Then only will it promote understanding regarding pay-related matters between employees, unions and managers.

13.12.3 Equity and Pay Rates

The need for equity is the most important factor in determining pay rates. This is achieved through the following steps:

- Find the worth of each job through job evaluation.
- Conduct a salary survey to find what other employers are paying for comparable jobs.
- Group similar jobs into pay grades.
- Price each pay grade by using wage curves.
- Fine tune pay rates.

13.12.4 Job Evaluation

Job analysis offers valuable information for developing a compensation system in terms of what duties and responsibilities need to be undertaken. The worth of a job to the organisation is as ascertained through job evaluation. Since the whole process is largely subjective, a committee is appointed to collect information and come up with a hierarchy of jobs according to their value. The evaluation is done through the use of market pricing or through the use of ranking, point or factor comparison methods.

13.12.5 Wage and Salary Surveys

While job evaluation ensures internal equity, wage and salary surveys ensure external equity. A wage and salary survey provides information as to what other organisations that compete for employees are paying. The survey could cover all the jobs within an organisation (obviously costly and hence avoided) or limited to benchmark jobs, jobs that are used to anchor the company's pay scale and around which other jobs are slotted based on their relative worth to the firm. The benchmark jobs have the following basic characteristics:

- Many workers in other companies have these jobs.
- They will not be changing in the immediate future in terms of tasks, responsibilities, etc.
- They represent the full range in terms of salary such that some are among the lowest paid in the group of jobs, others are in the middle range and some are at the high end of the pay scale.

Formal and informal surveys (through telephone, for example) could be undertaken to collect data on benefits like insurance, medical leave, vacation pay, etc., and so offer a basis on which to take decisions regarding employee benefits. Published sources also provide valuable information regarding industry-wise trends in salary structures in and around the country. The published sources in India include:

- Reports published by the Ministry of Labour.
- Pay commission reports.
- Reports of Wage Bonds appointed by Government.
- Reports of employees and employers' organisations.
- Trade journals of specific industry groups, etc.

One of the major problems with these sources is the comparability of jobs in the survey to jobs in the organisation. To overcome the limitations of published surveys, conduct your own surveys of important jobs. The following survey methods are generally used to collect relevant wage-related information:

- ***Key Job Matching:*** Under this method, similar key jobs are identified between the organisations and the relevant wage particulars about those comparable jobs are collected.
- ***Key Class Matching:*** Similar classes of jobs are identified and the necessary data about those classes are collected.
- ***Occupational Method:*** Certain basic occupational groups like clerks, officers managers are identified and then the necessary data is collected.
- ***Job Evaluation Method:*** All the parties participating in the survey method, use the same method and same mechanism for evaluating similar jobs.
- ***Broad Classification Method:*** Under this method, broad groups of relatively homogeneous jobs, i.e., by industry, by profession or by geographical area are grouped and the relevant information about these jobs is collected.

13.12.6 Group Similar Jobs into Pay Grades

In this step, similar jobs (in terms of their ranking or number points as ascertained by the job evaluation committee) are grouped into grades for pay purposes. The organisation can now focus on, say 10 to 12 pay grades, instead of hundreds of pay rates. A pay grade consists of jobs of approximately equal difficulty or importance as determined by job evaluation. If the point method is used, the pay grade consists of jobs falling within a range of points. Ten to sixteen grades per job cluster (factory jobs, clerical jobs) is common.

13.12.7 Price each Pay Grade – Wage Curves

In the next step, pay rates are assigned to pay grades through a wage curve. The wage curve shows graphically the pay rates currently paid for jobs in each pay grade relative to the points or rankings given to each job or grade, as depicted in Figure 13.1 below:

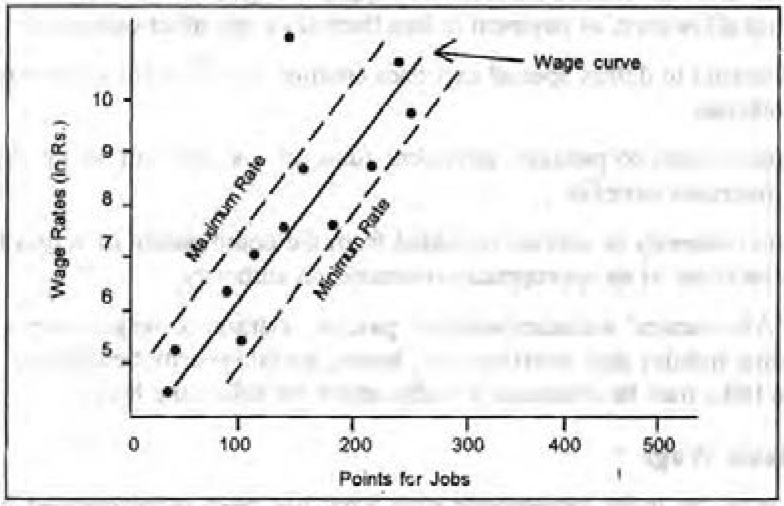


Figure 13.1: Plotting a Wage Curve

(The average pay rate for jobs in each grade [Grade I = 0-50 points, Grade II = 50-100 points, Grade III = 100-150 points] are plotted and the wage curve fitted in.)

A completed wage curve tells management the average relationship between the pay grade points and wage rates. It will show which pay is out of the trend line. If a job's pay rate is very high – where the current rates paid by the company fall well above or below the wage line – those wage rates are identified as 'red circle' rates. This only means that pay is frozen or below average increases are granted until the structure is adjusted upward to place the circled rate within a normal range.

13.12.8 Fine Tune Pay Rates and Determine Wage Structure

Here the employees fix a pay range for each grade (Officer Grade I, II and III, for example, in Banking industry). The wage structure of a company is nothing but a pay scale showing ranges of pay within each grade.

13.13 BASIS OF COMPENSATION IN INDIA

The pay structure of a company depends on several factors such as labour market conditions, company's paying capacity and legal provisions:

13.13.1 Wages

In India, different Acts include different items under wages, though all the Acts include basic wage and dearness allowance under the term 'wages'. Under the Workmen's Compensation Act, 1923, "wages for leave period, holiday pay, overtime pay, bonus, attendance bonus, and good conduct bonus" form part of wages.

Under The Payment of Wages Act, 1936, Section 2 (vi), "any award of settlement and production bonus, if paid, constitutes wages".

Under the Payment of Wages Act, 1948, "retrenchment compensation, payment in lieu of notice and gratuity payable on discharge constitute wages".

However, the following types of remuneration, if paid, do not amount to wages under any of the Acts:

i) Bonus or other payments under a profit-sharing scheme which do not form a part of contract of employment.

ii) Value of any house accommodation, supply of light, water, medical attendance, travelling allowance, or payment in lieu thereof or any other concession.

iii) Any sum paid to defray special expenses entailed by the nature of the employment of a workman.

iv) Any contribution to pension, provident fund, or a scheme of social security and social insurance benefits.

v) Any other amenity or service excluded from the computation of wages by general or special order of an appropriate governmental authority.

The term 'Allowances' includes amounts paid in addition to wages over a period of time including holiday pay, overtime pay, bonus, social security benefit, etc. The wage structure in India may be examined broadly under the following heads:

13.13.2 Basic Wage

The basic wage in India corresponds with what has been recommended by the Fair Wages Committee (1948) and the 15th Indian Labour Conference (1957). The various awards by wage tribunals, wage boards, pay commission reports and job evaluations also serve as guiding principles in determining 'basic wage'. While deciding the basic wage, the following criteria may be considered: (i) Skill needs of the job; (ii) Experience needed; (iii) Difficulty of work: mental as well as physical; (iv) Training needed; (v) Responsibilities involved; (vi) Hazardous nature of job.

13.13.3 Dearness Allowance (DA)

It is the allowance paid to employees in order to enable them to face the increasing dearness of essential commodities. It serves as a cushion, a sort of insurance against increase in price levels of commodities. Instead of increasing wages every time there is a rise in price levels, DA is paid to neutralise the effects of inflation; when prices go down, DA can always be reduced. This has, however, remained a hypothetical situation as prices never come down to necessitate a cut in dearness allowance payable to employees.

DA is linked in India to three factors: the index factor, the time factor and the point factor.

- ***All India Consumer Price Index (AICPI):*** The Labour Bureau, Shimla, computes the AICPI (Base 1960 = 100 points) from time to time.
- ***Time Factor:*** In this case DA is linked to the rise in the All India Consumer Price Index (AICPI) in a related period, instead of linking it to fortnightly or monthly fluctuations in index.
- ***Point Factor:*** Here DA rises in line with a rise in the number of index points above a specific level.
- ***Other Allowances:*** The list of allowances granted by employers in India has been expanding, thanks to the increasing competition in the job market and the growing awareness on the part of employees. An illustrative list of allowances is furnished in Table 13.1 below:

Table 13.1: List of Allowances in the Organised Sector in India

• Attendance	• Night shift	• Tiffin
• Books	• Overtime	• Transport
• Car	• Paternity	• Telephone
• Card (Credit card)	• Pension	• Uniform
• City Compensatory	• Provident Fund	
• Club Membership	• Relocation	
• Computer	• Servant	
• Deputation		
• Driver		
• Education		
• ESIS		
• Family		
• Group Insurance		
• Leave Travel		
• Lunch		
• Medical		

13.14 FACTORS INFLUENCING COMPENSATION LEVELS

The amount of compensation received by an employee should reflect the effort put in by the employee, the degree of difficulty experienced while expanding his energies, the competitive rates offered by others in the industry and the demand-supply position within the country, etc. These are discussed below.

a) ***Job Needs:*** Jobs vary greatly in their difficulty, complexity and challenge. Some need high levels of skills and knowledge while others can be handled by almost anyone. Simple, routine tasks that can be done by many people with minimal skills receive relatively low pay. On the other hand, complex, challenging tasks that can be done by few people with high skill levels generally receive high pay.

b) ***Ability to Pay:*** Projects determine the paying capacity of a firm. High profit levels enable companies to pay higher wages. This partly explains why computer software industry pays better salaries than commodity-based industries (steel, cement, aluminium, etc.). Likewise, multinational companies also pay relatively high salaries due to their earning power.

c) ***Cost of Living:*** Inflation reduces the purchasing power of employees. To overcome this, unions and workers prefer to link wages to the cost of living index. When the index rises due to rising prices, wages follow suit.

d) ***Prevailing Wage Rates:*** Prevailing wage rates in competing firms within an industry are taken into account while fixing wages. A company that does not pay comparable wages may find it difficult to attract and retain talent.

e) ***Unions:*** Highly unionised sectors generally have higher wages because well-organised unions can exert presence on management and obtain all sorts of benefits and concessions to workers.

f) ***Productivity:*** This is the current trend in most private sector companies when workers' wages are linked to their productivity levels. If your job performance is good, you get good wages. A sick bank, for example, can't hope to pay competitive wages, in tune with profit-making banks.

g) ***State Regulation:*** The legal stipulations in respect of minimum wages, bonus, dearness allowance, allowances, etc., determine the wage structure in an industry.

h) ***Demand and Supply of Labour:*** The demand for and the supply of certain skills determine prevailing wage rates. High demand for software professionals, R&D professionals in drug industry, telecom and electronics engineers, financial analysts, management consultants ensures higher wages. Oversupply kills demand for a certain category of employees leading to a steep fall in their wages as well.

Most employers, nowadays, are interested in paying a fair wage to all workers which is neither very high (affecting the company's profitability) nor very low (where attracting and retaining people becomes difficult).

13.15 WAGE POLICY

A wage bill is an important part of the production cost. For any reason whatsoever, if the wage bill increases beyond the paying capacity of an employer, the very survival of the firm becomes difficult. A few such instances are recounted in Box 12.2:

Box 13.1: Horror Stories in India

1. *Bharat Ophthalmic Glasses:* Where Employees' Benefits Exceed Turnover! During the period 1984-85 to 1990-91, the gross benefits per annum to 521 employees of Bharat Ophthalmic Glass (BOG) exceeded the turnover of the company – every year! The employees have successfully brought down capacity utilisation to just 27% of the achievable capacity. When the Government released ₹ 76 lac to buy plant and machinery, BOG generously diverted 50% of the money to pay salaries and wages.
2. *National Textile Corporation:* NTC has 120 mills and 1.7 lac workers. The accumulated losses are over 3000 crores, the yearly increase in losses being over ₹ 400 crore. 40 mills are totally useless, 40 likely to become useless very soon and the balance 40 are terminally sick. During the last 20 years, the government spent nearly ₹ 2000 crore on protecting jobs!
3. *Hindustan Fertilizer Corporation Ltd, Haldia:* The plant was shut down in August, 1986, but the 1500 strong employees continue to receive all their salaries and wages totalling to ₹ 150-175 lac per month. The company seems to run on the principle 'No work but Full Pay'. Even additional installments of DA are payable to them. The accumulated losses up to 1992 were over ₹ 1400 crore.
4. *Heavy Engineering Corporation:* It is a company producing nothing. It has been established just to employ labour (over 17000 employees with annual losses running to over ₹ 100 crore) established in collaboration with Soviet Union and Czechoslovakia (both these countries of course managed to vanish from the world map by 1992 itself!)

Source: N J Yasaswy, PSU Stocks, Vision Books, New Delhi 1992.

From the employee's point of view 'wages' determines his standard of living. Wage policy, therefore, is an important issue and recognising its importance the Constitution of India guaranteed 'equal pay for equal work' for both men and women (Article 39) and reiterated that the State must endeavour to secure for all workers a living wage and conditions of work which ensure a decent standard of life (Article 43). After Independence, the Government realised that the wages of workers can't be left to the fluctuations (in demand and supply of) in labour market conditions. It has decided to fix statutory minimum wages.

In India the Wage Policy defines Minimum Wage, Fair Wage and Living Wage in following way:

Minimum Wage

Minimum wage is that wage which must invariably be paid whether the company, big or small, makes profits or not. It is the bare minimum that a worker can expect to get for services rendered by him. The 15th Indian Labour Conference (1957) formally quantified the term 'minimum wage' thus:

- In calculating the minimum wage, the standard working class family should be taken to comprise three consumption units for one earner, the earnings of women, children and adolescents being disregarded;

- Minimum food requirements should be calculated on the basis of a set intake of calories as recommended by Dr Aykroyd for an average Indian adult of moderate activity;
- Clothing requirements should be estimated on the basis of per capita consumption of 18 yards per annum which would give for the average worker's family of four a total of 72 yards;
- In respect of housing, the rent corresponding to the minimum area provided for under Government Industrial Housing Scheme should be taken into consideration in fixing the minimum wage;
- Fuel, lighting and other miscellaneous items of expenditure should constitute 20 percent of the total minimum wage.

Fair Wage

It is that wage which is above the minimum wage but below the living wage. According to the Committee on Fair Wages, 1948, fair wage should be determined taking the following factors into account:

- the productivity of labour;
- the prevailing rates of wages in the same or similar occupations in the same region or neighbouring regions;
- the level of national income and its distribution;
- the place of industry in the economy of the country; and
- the employer's capacity to pay.

Living Wage

According to the Committee on Fair Wages, the living wage is the highest among the three. It must provide (i) basic amenities of life, (ii) efficiency of worker, and (iii) satisfy social needs of workers such as medical, education, retirement, etc. 'Living Wage' is a dynamic concept, which grows in line with the growth of the national economy.

13.16 STATE REGULATION OF WAGES

The Government has adopted various methods to regulate wages in India such as prescribing minimum rates of wages, regulating payment of wages, settlement of wages related disputes through adjudication process, setting up of wages boards, etc.

13.16.1 Minimum Wages Act, 1948

The Act prescribes minimum rates of wages for certain sweated and unorganised sectors covered under the Act. The minimum wages can be fixed by hour, day, month or any other longer period. The Act provides for setting up a tripartite body consisting of employees, unions and the government, to advise and assist in fixing and revising minimum wage rates. The rates could be subjected to revision at intervals not exceeding 5 years. The Act has not been able to prevent exploitation of labour due to a variety of reasons:

- The Vidyasagar Committee, 1965, pointed out that the desired objective of the Act could not be realised due to inadequate and improper organisation of the administrative machinery.
- Minimum wages have not been revised as stipulated in the Act. They are revised after much longer intervals.

- The Act did not define minimum wages nor specified any norms for its determination.

The Supreme Court has held (in 1992) that the appropriate authorities should take into consideration the components such as children's education allowance, medical needs, minimum recreation, provision for marriage, old age etc., while calculating minimum wages.

13.16.2 The Payment of Wages Act, 1936

The main objective of the Act is to provide for regular payment of wages without any unauthorised reductions to persons who are employed in any industrial establishment or factory or railway or by a railway contractor whose monthly wages are less than ₹ 1600. The Act prescribes the following permissible deductions to be made from the employee's salary: fines, deductions for absence, deductions for (i) loss of goods entrusted to worker, (ii) house given by employer, (iii) services provided by employer, (iv) advances given to worker, (v) tax payable by employer, (vi) deductions under court orders, cooperative society. PF, insurance premium, etc.

13.16.3 Adjudication of Wage Disputes

Collective bargaining is a procedure through which employee problems relating to various issues including wages are settled through the process of joint consultation, in an atmosphere of 'give and take', trust and mutual confidence. If these problems are not settled through collective bargaining, they may be settled through voluntary arbitration or adjudication. The awards given or reached by or through the arbitrator or adjudicator or collective bargaining agreements form the basis for fixing wages in various organisations.

13.16.4 Wage Boards

This is one of the important institutions set up by the Government of India for fixation and revision of wages. Separate wage boards are set up for separate industries. Government of India started instituting Wage boards in accordance with the recommendations of Second Five-year Plan, which were reiterated by the Third Five year plan. Wage boards are not governed by any legislation but are appointed on an ad hoc basis by the Government.

Each Wage board consists of one neutral Chairman, two independent members and two or three representatives of workers and management each. The Wage boards have to study various factors before making any recommendations. The recommendations of Wage Board are first referred to the Government for acceptance.

The Government may accept with or without modification or reject the recommendations of the Wage board. The recommendations accepted by the Government are enforceable by the parties concerned.

The Wage boards take the following factors into consideration for fixing or revising the wages in various industries:

(i) Job evaluation, (ii) Wage rates, for similar jobs in comparable industries, (iii) Employees' productivity, (iv) Firms' ability to pay, (v) Various wage legislations, (vi) Existing level of wage differentials and their desirability, (vii) Government's objectives regarding social justice, social equality, economic justice and economic equality, (viii) Place of the industry in the economy and the society of the country and the region, (ix) Need for incentives, improvement in productivity, etc.

The Wage Boards fix and revise various components of wages like basic pay, dearness allowance, incentive earnings, overtime pay, house rent allowance and all other allowances.

13.16.5 Pay Commissions

Wages and allowances of Central and State government employees are determined through the pay commissions appointed by the appropriate government. So far the Central Government has appointed five pay commissions. The disputes, arising out of pay commission awards and their implementation are decided by commissions of inquiry, adjudication machinery and the joint consultative machinery.

13.16.6 Bonus

An important component of employees' earnings, besides salary, is bonus. Starting as an ad hoc and ex-gratia payment, bonus was claimed as dearness allowance during World War II. In the course of labour history, it has metamorphosed from a reward or an incentive for good work, into a defendable right and a just claim. Subsequently, under The Payment of Bonus Act, 1965, it secured the character of a legal right. The dictionary meaning of 'bonus' is an extra payment to the workers beyond the normal wage. It is argued that bonus is a deferred wage payment which aims at bridging the gap between the actual wage and the need based wage. It is also said that bonus is a share of the workers in the prosperity of an organisation. The third argument is that bonus is primarily a share in the surplus. But it is only incidentally treated as a source of bridging the gap between the actual wage and the need-based wage.

Table 13.2: Bonus Calculations in India

- Bonus is calculated on a salary of ₹ (Add Rupee symbol here) 2,500 per month.
- Bonus is to be paid at a minimum of 8.33 per cent of the salary of an employee.
- The bonus is to be paid within 8 months from the close of an accounting year.
- If in any year the available surplus exceeds the amount of minimum bonus payable to an employee, the employer shall pay a higher bonus subject to a minimum of 20% of salary or wage.
- Bonus is paid out of available surplus of an accounting year after deducting the sums referred to in Sec. 6. Even if there is no surplus, bonus has to be paid, treating it as 'deferred wage'.
- To claim bonus, the employee must have worked for 30 days in that year.

13.17 WAGE DIFFERENTIALS

Differentials in wages for jobs are inevitable in any industry. The reasons are not far to seek:

Table 13.3: Reasons for Wage Differentials

Wage differentials	Reasons
Interpersonal differentials	Differentials in sex, skills, age, knowledge, experience
Inter-occupational differentials	Varying requirements of skill, knowledge, demand-supply situation
Inter-area differentials	Cost of living, ability of employers to pay, demand and supply situation, extent of unionisation
Inter-firm differentials	Ability of employer to pay, employees' bargaining power, degree of unionisation, skill needs, etc.

Wage differentials perform important economic functions like labour productivity, attracting the people to different jobs. Since most of the workers are mobile with a view to maximising their earnings, wage differentials reflect the variations in productivity, efficiency of management, maximum utilisation of human force, etc.

Wage differentials Reasons

- ***Interpersonal Differentials:*** Differentials in sex, skills, age, knowledge, experience Inter-occupational differentials - Varying requirements of skill, knowledge, demand-supply situation
- ***Inter-area Differentials:*** Cost of living, ability of employers to pay, demand and supply situation, extent of unionisation
- ***Inter-firm Differentials:*** Ability of employer to pay, employees' bargaining power, degree of unionisation, skill needs, etc.

Utilisation of human resources, maximisation of productivity can be fulfilled through wage differentials as the latter determines the direct allocation of manpower among different units, occupations and regions so that the overall production can be maximised. Thus, wage differentials provide an incentive for better allocation of human force – labour mobility among different regions and the like. Wage differentials play a pivotal role in a planned economy in the regulation of wages and development of national wage policy by allocating the skilled human force on priority basis. Development of new skills, knowledge, etc., is an essential part of human resource development. Shortage of technical and skilled personnel is not only a problem for industries but it creates bottlenecks in the attainment of planned goals. Thus, wage differentials, to a certain extent, are desirable from the viewpoint of national interest. As such, they probably become an essential part of national wage policy. Complete uniform national wage policy is impracticable and undesirable.

13.17.1 Are Wage Differentials Justified?

Wage differentials on the basis of occupations, units and areas (when real wages are taken into account) can be justified on the basis of equal pay for equal work among workers. They are also justified in view of varying conditions of demand and supply and varied job requirements like skill, knowledge, aptitude, ability, experience, etc. But the object of the Government is to minimise income inequalities and inequalities in the distribution of wealth. Thus, wage differentials are not desirable in a socialistic pattern of society. However, formulating a uniform wage policy ignoring differences in individual skills, knowledge, etc., are constrained by limitations in a unit's ability to pay varying living costs in different regions, varying demand and supply conditions, differences in occupations, etc., rendering uniformity impracticable. Hence, a compromise between uniform wage policy and wage differentials has to be developed keeping in view the principles of a socialistic pattern of society. Interpersonal, inter-unit, inter-occupational wage differentials are more predominant in unorganised sector of Indian economy. But even in organised sector and public sector units, wage differentials are quite common. However, the tendency appears to be towards minimisation and regularisation of wage differentials and to narrow down the gap between maximum and minimum wage in a unit. Wage differentials on the basis of sex are however common, mainly in unorganised sector of the economy. It is observed that certain industrial tribunals had awarded different wages for male and female workers not on the ground that the work done is unequal but on the grounds that the wages of female employees have always been somewhat lower than those of male workers, that women workers support a smaller family and that the cost of employing women workers is higher. However, it is felt that further steps should be taken in order to minimise wage differentials not only in unorganised sector but also in organised and public sector undertakings.

13.18 CHOICES IN DESIGNING A COMPENSATION SYSTEM

The compensation system that is followed by a firm should be in tune with its own unique character and culture and allow the firm to achieve its strategic objectives. A wide variety of options confront a firm while designing such a system.

1. ***Internal and External Pay:*** Pay equity, as stated previously, is achieved when the compensation received is equal to the value of the work done. Compensation policies are internally equitable when employees believe that the wage rates for their jobs approximate the job's worth to the organisation. Perceptions of external equity exist when the firm pays wages that are relatively equal to what other firms are paying for similar types of work.

2. ***Fixed vs. Variable Pay:*** Now-a-days variable pay programmes are widely followed throughout many organisations and for all levels of employees. Widespread use of various incentive plans, team bonuses, profit-sharing programmes have been implemented with a view to link growth in compensation to results. Of course, while using variable pay systems, management must look into two issues carefully:

   - Should performance be measured and rewarded based on individual, group or organisational performance?
   - Should the length of time for measuring performance be short-term or long-term?

3. ***Performance vs. Membership:*** Knowledge-based organisations these days follow a performance-based payment plan offering awards to employees for cost saving suggestions, bonuses for perfect attendance or merit pay based on supervisory appraisals. 3 M's encouragement of innovation through this route, for example, has paid off in what has become a legend in the field of product development (one of its chemists developed the immensely popular product 'Post-it' when 3M gave time for the employee and announced a handsome bonus for the final result. Most organisations, however, still pay their employees based on the number of hours of work per week coupled with certain benefits for serving the company loyally for a particular period.

Box 13.2: Guidelines for Effective Performance-based Pay Systems

To be fair to employees, organisations should keep the following guidelines in mind while instituting merit-pay systems

- *Establish high standards of performance*, so that only the truly outstanding employees emerge as winners.
- *Develop accurate performance appraisal systems:* The focus must be on job - specific, results-oriented criteria as well as employee behaviours.
- *Train supervisions* in the mechanics of carrying out appraisals and offering feedback to employees in a proper way.
- *Tie rewards closely to performance.*
- *A wide range of increases.* Also, make pay increases meaningful.

4. ***Job vs. Individual Pay:*** Most traditional organisations – even today – decide the minimum and maximum values of each job independently of individual workers (who are placed in between these two extremes), ignoring their abilities, potential and the ability to take up multiple jobs. Such job-based pay systems may, in the end, compel capable workers to leave the company in frustration. To avoid such

unfortunate situations, knowledge-based pay systems (or skill-based ones) have been followed increasingly in modern organisations. In this case, employees are paid on the basis of the jobs they can handle or the talents they have that can be successfully exploited in various jobs and situations.

Table 13.4: Suitability of Job-based and Knowledge-based Pay Systems

A job based-pay system is suitable when:	Individual-based pay system is suitable when:
• Jobs do not change often. • Technology is stable. • Lots of training is required to learn a given job. • Turnover is relatively low. • Employees are expected to move up through the ranks over time. • Jobs are fairly standardised within the industry.	• The firm has relatively educated employees with both the ability and willingness to learn different jobs. • The firm's technology, processes are subjected to frequent change. • Vertical growth opportunities are limited. • Opportunities to learn new skills exist. • Teamwork and employee participation are encouraged.

Organisations will grant an increase in pay after the employee masters various skills and demonstrates these according to a pre-determined standard. One of the important limitations of this method is that employees can became discouraged when they acquire new skills but find very few rewarding growth opportunities or high-rated jobs where they can use their talents successfully.

Box 13.3: Broad banding vs. Competency Based Pay System

Organisations that follow a skill-based or competency-based pay system frequently use *broad banding* to structure their compensation payments to employees. Broad branding simply compresses many traditional salary grades (say 15 to 20 grades) into a few wide salary bands (three or four grades). By having relatively few job grades, this approach tries to play down the value of promotions. Depending on changing market conditions and organisational needs, employees move from one position to another without raising objectionable questions, (such as when the new grade is available, what pay adjustments are made when duties change, etc.) As a result movement of employees between departments, divisions and locations becomes smooth. Employees with greater flexibility and broader set of capabilities can always go in search of jobs in other departments or locations that allow them to use their potential fully. Broad banding, further, helps to reduce the emphasis on hierarchy and status. However, broad banding can be a little unsetting to a new recruit when he is made to roll on various jobs. Most employees still believe that the existence of many grades helps them grab promotional opportunities over a period of time. Any organisation having fewer grades may be viewed negatively – as having fewer upward promotion opportunities. Moreover, a number of individuals may not want to move across the organisation into other areas.

5. ***Below Market vs. above Market Compensation:*** In high tech firms R&D workers might be paid better than their counterparts in the manufacturing division. Blue chip firms such as HLL, Nestlé, Procter & Gamble, TCS, Hughes Software Systems might pay above market compensation to certain groups in order to attract (and retain) 'the cream of the crop'. To grow rapidly and to get ahead of others in the race, especially in knowledge-based industries, most companies prefer to pay above-market salaries. Above market wages are typical in well-established manufacturing units operating in a highly competitive environment. Firms paying below market tend to be small, young and non-unionised.

6. ***Open vs. Secret Pay:*** In the real world, the issue of paying compensation openly or in a secret way may often become a bone of contention between employees and the employer(s). Current research evidence indicates that pay openness is likely to be more successful in organisations with extensive employee involvement and an egalitarian culture that encourages trust and commitment. Open pay eliminates doubts in the minds of employees regarding equity and fairness - because there is equal pay for equal work. But open pay has a downside. First, managers are

forced to defend their compensation decisions publicly. The question of how much pay one should get is more or less decided by the manager - based on his own subjective assessment of various factors. In such decision, it is not easy to please everyone. Second, the cost of making a mistake in a pay decision increases when pay is open. Third, to avoid never-ending and time-wasting arguments with employees, managers may eliminate pay differences among subordinates despite differences in performance levels. This may, in the end, force talented people to leave the organisation. Pay secrecy involves withholding information from the recruits regarding how much others make, what raises others have received and even what pay grades and ranges exist within an organisation. Pay secrecy gives managers some amount of freedom in compensation management, since pay decisions are not disclosed and there is no need to justify or defend them. Employees who do not know how much others are getting have no objective base for pursuing complaints about their own pay. Secrecy also serves to cover up inequities prevailing within the internal pay structure. Again, secrecy surrounding compensation decisions may lead employees to believe that there is no direct relationship between pay and performance. Pay secrecy, however, is a difficult policy to maintain because most of the pay-related information is now available on the web. Anyone with access to the Internet can easily find out what a position is worth for in the job market.

13.19 MANAGERIAL COMPENSATION

Organisations decide executive compensation packages, consisting of basic pay, allowances, perquisites, stock options, etc., based on a number of factors. The United States Compensation institutes' Phoenix plan uses 28 compensable factors:

Table 13.5: Phoenix Plan – Compensable Factors

• Job-related experience	• Time spent in planning
• Training time required	• Contact with suppliers/customers
• Frequency of review of work	• Impact on departmental budget
• Utilisation of independent choice	• Directing of others.
• Frequency of reference to guidelines	• Training of staff/physical stress experienced
• Frequency of work transferred through supervisor	• Time spent working under deadlines
• Analytical complexity	• Time spent in hazardous conditions
• Time spent in processing information	
• Supervisors reporting to position level	
• Travel outside work location	
• Salary grade to which this position reports	
• Salary grade of positions supervised	
• Management responsibility	
• Revenue size	
• Asset size	
• Employment size	
• Budget size	
• Payroll size	

The Hay Group, another specialised US Agency, uses three compensable factors: accountability, problem-solving and know-how. Sibson and company determines base compensation depending on the market value of the job, its relationship to other positions in the organisation and the person's value to the organisation based on long-term performance and experience. The Compensation Survey Report of Business International Asia – Pacific Limited, Hong Kong considered the following factors to determine executive compensation: education, experience, scope of activities, need to negotiate, type of problems handled, decision making authority, influence on results, size of the unit managed, number of people supervised, number of reporting steps to the head of unit.

13.20 INDIAN PRACTICES

Executive compensation in India is basically built around three important factors: job complexity, employers' ability to pay and executive human capital. The complexity of a chief executive's job would depend on the size of the company as measured by its sales volume, earnings and assets' growth, the geographic dispersal of the unit, etc. The employer's ability to pay is also a major factor to be considered while deciding executive compensation. A sick bank, for instance, cannot afford to pay the same kind of salary to its executives as that of a healthy and growing bank. This partly explains why executive compensation in public sector undertakings is less when compared to private sector units.

Box 13.4: Executive Compensation: Private Sector vs. Public Sector

In well-publicised front page news sometime back 'The Economic Times' mentioned about the miserable salary levels of top executives in public sector units in India. For example the State Bank of India chief is paid 10% of HDFC Bank Managing Director, BHEL's chief getting about ₹ 10 to 12 lakhs per year as against ABB's MD getting nearly ₹ 40 to 50 lakhs; Indian Oil Corporation's chief getting ₹ 10 to 15 lakhs per annum as against Reliance Industries' Ambani's getting a package of over ₹ 10 crore per annum. Salary levels in 'hot' private sector such as BPO, hospitality, biotechnology 'Media', IT, Telecommunications, Oil, Automobiles and Insurance are way above the packages offered to executives in public sector for various reasons such as: overstaffing, inefficient processes, pressure on margins due to competition, appointment of people without requisite skills at the top level, political interference especially in pricing the products or services, legal constraints, etc.

The economic theory of human capital says that the compensation of a worker should be equal to his marginal productivity. The productivity of an executive likewise depends on his qualifications, job knowledge, experience and contribution. Indian companies usually structured executive compensation along the following factors: salary, bonus, commission, PF, family pension, superannuation fund, medical reimbursement, leave travel assistance, house rent allowance and other perquisites. In recent years, instead of increasing the base compensation, companies have been enhancing the worth of an executive job through novel payment plans based on earnings/assets or sales growth of the company over a period of time, well-supported by an ever-expanding list of allowances and perquisites including stock options, educational, recreational, academic allowances and several other developmental initiatives aimed at improving the overall personality of an executive.

13.20.1 Protecting your Valuable Employees from the Eyes of the Competition

With the battle for talent escalating into a war, Indian companies are going all out to retain their prized employees. Two approaches have gained visibility and popularity in recent times. The first is internal and includes improving communication, changing work rules, increasing pay and even tightening phone security of a person. If the person in question is a high performer with a high risk of leaving, companies like Reckitt Benckiser, go on an overdrive with the milk and honey. Ego massaging services are initiated immediately. Eicher has a 'key man policy' in place to prevent 'stars' from leaving the company. The insurance policy, a juicy carrot for the top performers, however, comes with a rider: if the person stays for an agreed period he earns a certain amount but if he leaves before that, the company gets a larger amount. Retention bonuses are also quite common. At Mahindra & Mahindra, 50 percent of the employees' bonus comes in the form of a fixed deposit that can be encashed after a mutually agreed time period. (ii) The second method is external and focused on broking the raiding firm. Four years ago Pepsi even went to the extent of filing a case against Coke for poaching its employees. Non-poaching agreements, explicit or implicit, have also gained popularity. Some firms try to foil poaching by signing up several firms. Other companies such as Sasken Communication Technologies, Honey Well, Johnson & Johnson deal with the problem in a novel way: allowing employees complete freedom to think and act independently, opportunities to upgrade skills, offering jobs with stretch, pull and challenge, etc.

13.21 JOB EVALUATION: CONCEPT

Job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organisation. It tries to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational pay structure.

Job evaluation needs to be differentiated from job analysis. Job analysis is a systematic way of gathering information about a job. Every job evaluation method requires at least some basic job analysis in order to provide factual information about the jobs concerned. Thus, job evaluation begins with job analysis and ends at that point where the worth of a job is ascertained for achieving pay-equity between jobs.

13.21.1 Job Evaluation vs Performance Appraisal

Job evaluation is different from performance appraisal. PA is the systematic description of an employee's job-related strengths and weaknesses. The basic purpose of PA is to find out how well the employee is doing the job and establish a plan for improvement. The aim of job evaluation is to find the relative value/worth of a job and determine what a fair wage for such a job should be. The differences between the two may be presented thus:

Table 13.6: Job Evaluation vs. Performance Appraisal

Point	Job Evaluation	Performance Appraisal
Define	Find the relative worth of a job.	Find the worth of a job holder.
Aim	Determine wage rates for different jobs.	Determine incentives and rewards for superior performance.
Shows	How much a job is worth?	How well an individual is doing an assigned work?

13.21.2 Features

The purpose of job evaluation is to produce a defensive ranking of jobs on which a rational and acceptable pay structure can be built. The important features of job evaluation may be summarised thus:

- It tries to assess jobs, not people.
- The standards of job evaluation are relative, not absolute.
- The basic information on which job evaluations are made is obtained from job analysis.
- Job evaluations are carried out by groups, not by individuals.
- Some degree of subjectivity is always present in job evaluation.
- Job evaluation does not fix pay scales, but merely provides a basis for evaluating a rational wage structure.

13.21.3 Process of Job Evaluation

The process of job evaluation involves the following steps:

- ***Gaining Acceptance:*** Before undertaking job evaluation, top management must explain the aims and uses of the programme to the employees and unions. To elaborate the programme further, oral presentations could be made. Letters, booklets could be used to classify all relevant aspects of the job evaluation programme.
- ***Creating Job Evaluation Committee:*** It is not possible for a single person to evaluate all the key jobs in an organisation. Usually a job evaluation committee consisting of experienced employees, union representatives and HR experts is created to set the ball rolling.
- ***Finding the Jobs to be Evaluated:*** Every job need not be evaluated. This may be too taxing and costly. Certain key jobs in each department may be identified. While picking up the jobs, care must be taken to ensure that they represent the type of work performed in that department.
- ***Analysing and Preparing Job Description:*** This requires the preparation of ajob description and also an analysis of job needs for successful performance .
- ***Selecting the Method of Evaluation:*** The most important method of evaluating the jobs must be identified now, keeping the job factors as well as organisational demands in mind.
- ***Classifying Jobs:*** The relative worth of various jobs in an organisation may be found out after arranging jobs in order of importance using criteria such as skill requirements, experience needed, under which conditions job is performed, type of responsibilities to be shouldered, degree of supervision needed, the amount of stress caused by the job, etc. Weights can be assigned to each such factor. When we finally add all the weights, the worth of a job is determined. The points may then be converted into monetary values.
- ***Installing the Programme:*** Once the evaluation process is over and a plan of action is ready, management must explain it to employees and put it into operation.
- ***Reviewing Periodically:*** In the light of changes in environmental conditions (technology, products, services, etc.) jobs need to be examined closely. For example, the traditional clerical functions have undergone a rapid change in sectors like banking, insurance and railways, after computerisation. New job descriptions need to be written and the skill needs of new jobs need to be duly incorporated in the evaluation process. Otherwise, employees may feel that all the relevant job factors – based on which their pay has been determined – have not been evaluated properly.

13.22 IMPORTANCE OF JOB EVALUATION

Job evaluation has some importance which is as follows:

1. ***Job evaluation helps to rate the job:*** Job evaluation is a technique which helps to rate the job in terms of complexities and importance. It rates the job but the job holder. This helps determining and fixing wages accordingly.
2. ***Job evaluation helps to determine pay structure:*** Job evaluation is a consistent and rational process of determining wages and salary structure for various level of jobs. Internal and external consistencies are analyzed in order to determine wage levels.
3. ***Job evaluation helps in bringing harmonious relation between labor and management:*** Job evaluation brings harmony and good labor relation through eliminating wage inequalities within the organization.

4. ***Job evaluation helps to minimize the cost of recruitment and selection:*** Job evaluation helps in keeping down the recruitment and selection costs as it assists in retaining employees. It means, job evaluation inspires for keeping down the labor turnover, as a result of which there will be less need of new recruitment. Moreover, due to systematic analysis of various aspects of jobs, recruitment and selection can be made by matching the qualification and candidate.
5. ***Job evaluation helps to differ job other than skills:*** Job evaluation considers risks and other factors of job rather than skills in order to determine the worth of jobs. Hence, jobs are no longer differentiated with skills.
6. ***Job evaluation helps to determine the cost and rate of production:*** Job evaluation determines an efficient wage structure according to workload; hence, worker's productivity will be increased thereby increasing the rate of production.
7. ***Job evaluation helps to determine the requirement of training and development:*** Job evaluation identifies training and development requirements by comparing the complexity and importance between various jobs. Highly complex and critical job exposes training need.
8. ***Job evaluation helps to minimize cost***: Through the productivity enhancement and increasing the rate of production, the per unit cost of an output is minimized or reduced.

13.23 PRINCIPLES OF JOB EVALUATION

The job evaluation has certain principles. These principles are supposed to be kept in the mind of the job evaluators. These principles are not only directives of proper job evaluation but also provide clarity in the process of evaluation.

According to Kress, these principles are:

- Rate the job and the jobber. Each element should be rated on the basis of what the job itself requires.
- The elements selected for rating purposes should be easily explainable in terms and a few in numbers as will cover the necessary requisites for every job without any overlapping.
- The elements should be clearly defined and properly selected.
- Any job rating plan must be sold to foremen and employees. The success in selling it will depend on a clear-cut explanation and illustration of the plan.
- Foreman should participate in the rating of jobs in their own departments;
- Maximum co-operation can be obtained from employees when they themselves have an opportunity to discuss job ratings.
- Too many occupational wages should not be established. It would be unwise to adopt an occupational wage for each total of point values.

Each job has certain characteristics. These characteristics create difficulty in performing the job. The purpose of job evaluation is to analyse these characteristics and thus to find out a fair and representative base rate of monetary compensation of jobs. Mathematical precision cannot be expected in formulating principles of job evaluation because it is not an exact science, but a broad set of principles can be followed. Some of the other principles as under:

- Job evaluation programme should contain in it the elements of over-payments at the initial stage to infuse confidence among the workers.

- Job evaluation based on grades should aim at merit increase within labour grades and length of service.
- Details of the job evaluation process should be made known to all the parties concerned.
- Evaluation process, to ensure smooth functioning, should give opportunity to all interested parties to involve themselves in the process.
- Wage rate levels should be comparable with the jobs prevailing in the organisation and in other organisations of the industry.
- The merits of the job evaluation system introduced should be ex-plained to all the parties concerned.
- Since job evaluation is done by a committee with members from the workshop and management, the members so selected should be acceptable to all the parties to be affected by job evaluation method.
- Job evaluation being an objective technique, the worth of every job should be very carefully studied by experts.
- The size and type of organisation must be taken into consideration before a particular method of job evaluation is put to prac-tice.
- Job evaluation uses different forms and different terms are used. It must be a matter of principle for the management to see that the process of job evaluation will start only after the terms have been completed and explained.
- The judgment of different rates should agree before conclusions and final appraisal of jobs.

13.24 ESSENTIALS FOR THE SUCCESS OF A JOB EVALUATION PROGRAMME

Following are the essentials for the success of a job evaluation programme:

1. Compensable factors should represent all of the major aspects of job content. Compensable factors selected should (a) avoid excessive overlapping or duplication; (b) be definable and measurable; (c) be easily understood by employees and administrators; (d) not cause excessive installation or administrative cost; and (e) be selected with legal considerations in mind.
2. Operating managers should be convinced about the techniques and programme of job evaluation. They should also be trained in fixing and revising the wages based on job evaluation.
3. All the employees should be provided with complete information about job evaluation techniques and programme.
4. All groups and grades of employees should be covered by the job evaluation programme.
5. The programme of – and techniques selected for – job evaluation should be easy to understand by all the employees.
6. Trade unions acceptance and support to the programme should be obtained.

Experts have advanced certain guidelines for conducting the job evaluation programme in a systematic way:

1. Rate the job – not the person or employee on the job.
2. Strive to collect all the facts accurately.

3. Look especially for distinguishing features of jobs and for relationships to other jobs.
4. Study jobs independently and objectively, and then discuss views thoroughly and open-mindedly before reaching final decisions.
5. Job evaluation must be conducted systematically based on factual and accurate information.
6. The results of job evaluation must be fair and rational and unbiased to the individuals being affected.

13.24.1 Benefits

The pay offs from job evaluation may be stated thus:

- It tries to link pay with the requirements of the job.
- It offers a systematic procedure for determining the relative worth of jobs. Jobs are ranked on the basis of rational criteria such as skill, education, experience, responsibilities, hazards, etc., and are priced accordingly.
- An equitable wage structure is a natural outcome of job evaluation. An unbiased job evaluation tends to eliminate salary inequities by placing jobs having similar requirements in the same salary range.
- Employees as well as unions participate as members of job evaluation committee while determining rate grades for different jobs. This helps in solving wage related grievances quickly.
- Job evaluation, when conducted properly and with care, helps in the evaluation of new jobs.
- It points out possibilities of more appropriate use of the plant's labour force by indicating jobs that need more or less skilled workers than those who are manning these jobs currently.

13.25 JOB EVALUATION METHODS

There are three basic methods of job evaluation: (1) ranking, (2) classification, (3) factor comparison. While many variations of these methods exist in practice, the three basic approaches are described here.

13.25.1 Ranking Method

Perhaps the simplest method of job evaluation is the ranking method. According to this method, jobs are arranged from highest to lowest, in order of their value or merit to the organisation. Jobs can also be arranged according to the relative difficulty in performing them. The jobs are examined as a whole rather than on the basis of important factors in the job; the job at the top of the list has the highest value and obviously the job at the bottom of the list will have the lowest value.

Table 13.7: Array of Jobs according to the Ranking Method

Rank Monthly Salaries	
1. Accountant	₹ 3000
2. Accounts clerk	₹ 1800
3. Purchase assistant	₹ 1700
4. Machine-operator	₹ 1400
5. Typist	₹ 900
6. Office boy	₹ 600

Jobs are usually ranked in each department and then the department rankings are combined to develop an organisational ranking. The table 13.7 is a hypothetical illustration of ranking of jobs.

The variation in payment of salaries depends on the variation of the nature of the job performed by the employees. The ranking method is simple to understand and practice and it is best suited for a small organisation. Its simplicity however works to its disadvantage in big organisations because rankings are difficult to develop in a large, complex organisation. Moreover, this kind of ranking is highly subjective in nature and may offend many employees. Therefore, a more scientific and fruitful way of job evaluation is called for.

Classification Method

According to this method, a predetermined number of job groups or job classes are established and jobs are assigned to these classifications. This method places groups of jobs into job classes or job grades. Separate classes may include office, clerical, managerial, personnel, etc. Following is a brief description of such a classification in an office.

a) ***Class I - Executives:*** Further classification under this category may be Office manager, Deputy office manager, Office superintendent, Departmental supervisor, etc.

b) ***Class II - Skilled workers:*** Under this category may come the Purchasing assistant, Cashier, Receipts clerk, etc.

c) ***Class III - Semi-skilled workers:*** Under this category may come Stenotypists, Machine-operators, Switchboard operator, etc.

d) ***Class IV – Semi-skilled workers:*** This category comprises Daftaris, File clerks, Office boys, etc.

The job classification method is less subjective when compared to the earlier ranking method. The system is very easy to understand and acceptable to almost all employees without hesitation. One strong point in favour of the method is that it takes into account all the factors that a job comprises. This system can be effectively used for a variety of jobs.

The weaknesses of the job classification method are:

- Even when the requirements of different jobs differ, they may be combined into a single category, depending on the status a job carries.
- It is difficult to write all-inclusive descriptions of a grade.
- The method oversimplifies sharp differences between different jobs and different grades.
- When individual job descriptions and grade descriptions do not match well, the evaluators have the tendency to classify the job using their subjective judgements.

13.25.2 Factor Comparison Method

A more systematic and scientific method of job evaluation is the factor comparison method. Though it is the most complex method of all, it is consistent and appreciable. Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors. These factors include mental effort, physical effort, skill needed, responsibility, supervisory responsibility, working conditions and other such factors (for instance, know-how, problem-solving abilities, accountability, etc.). Pay will be assigned in this method by comparing the weights of the factors required for each job, i.e., the present wages paid for key jobs may be divided among the factors weighted by importance (the most important factor, for instance, mental effort, receives the highest weight). In other words, wages are assigned to the job in comparison to its ranking on each job factor.

The steps involved in factor comparison method may be briefly stated thus:

- Select key jobs (say 15 to 20), representing wage/salary levels across the organisation. The selected jobs must represent as many departments as possible.
- Find the factors in terms of which the jobs are evaluated (such as skill, mental effort, responsibility, physical effort, working conditions, etc.).
- Rank the selected jobs under each factor (by each and every member of the job evaluation committee) independently.
- Assign money value to each factor and determine the wage rates for each key job.
- The wage rate for a job is apportioned along the identified factors.
- All other jobs are compared with the list of key jobs and wage rates are determined.

An example of how the factor comparison method works is given below:

Table 13.8: An Example of Factor Comparison Method

Factors / Key Job	Daily Wage Rate	Physical effort	Factors mental effort	Skill	Responsibility	Working conditions
Electrician	60	11(3)	14(1)	15(1)	12(1)	8(2)
Fitter	50	14(1)	10(2)	9(2)	8(2)	9(1)
Welder	40	12(2)	7(3)	8(3)	7(3)	6(3)
Cleaner	30	9(4)	6(4)	4(5)	6(4)	5(4)
Labourer	25	8(5)	4(5)	6(4)	3(5)	4(5)

After the wage rate for a job is distributed along the identified and ranked factors, all other jobs in the department are compared in terms of each factor. Suppose the job of a 'painter' is found to be similar to electrician in skill (15), fitter in mental effort (10), welder in physical effort (12) cleaner in responsibility (6) and labourer in working conditions (4). The wage rate for this job would be (15+10+12+6+4) is 47.

Table 13.9: Merits and Demerits of Factor Comparison Method

Merits	Demerits
• Analytical and objective. • Relative and valid as each job is compared jobs with all other jobs in terms of key factors. • Money values are assigned in a fair way based on an agreed rank order fixed by the job evaluation committee. • Flexible, as there is no upper limitation on the rating of a factor.	• Difficult to understand, explain and operate. • Its use of the same criteria to assess all jobs is questionable as jobs differ across and within organisations. • Time-consuming and costly.

13.25.3 Point Method

This method is widely used currently. Here, jobs are expressed in terms of key factors. Points are assigned to each factor after prioritising each factor in order of importance. The points are summed up to determine the wage rate for the job. Jobs with similar point totals are placed in similar pay grades. The procedure involved may be explained thus:

a) Select key jobs. Identify the factors common to all the identified jobs such as skill, effort, responsibility, etc.

b) Divide each major factor into a number of sub-factors. Each sub-factor is defined and expressed clearly in the order of importance, preferably along a scale.

The most frequent factors employed in point systems are (i) Skill (key factor); Education and training required, Breadth/depth of experience required, Social skills required, Problem-solving skills, Degree of discretion/use of judgement, Creative thinking (ii) Responsibility/Accountability: Breadth of responsibility, Specialised responsibility, Complexity of the work, Degree of freedom to act, Number and nature of subordinate staff, Extent of accountability for equipment/plant, Extent of accountability for product/materials; (iii) Effort: Mental demands of a job, Physical demands of a job, Degree of potential stress.

The educational requirements (sub-factor) under the skill (key factor) may be expressed thus in the order of importance.

Box 13.5: Point Method of Job Evaluation

Degree	Define
1	Able to carry out simple calculations; High School educated
2	Does all the clerical operations; computer literate; graduate
3	Handles mail, develops contacts, takes initiative and does work independently; post graduate
Assign point values to degrees after fixing a relative value for each key factor	

c) Find the maximum number of points assigned to each job (after adding up the point values of all sub-factors of such a job). This would help in finding the relative worth of a job. For instance, the maximum points assigned to an officer's job in a bank come to 540. The manager's job, after adding up key factors + sub factors points, may be getting a point value of say 650 from the job evaluation committee. This job is now priced at a higher level.

Table 13.10

Factor	Point values for Degrees					Total
	1	2	3	4	5	
Skill	10	20	30	40	50	150
Physical effort	8	16	24	32	40	120
Mental effort	5	10	15	20	25	75
Responsibility	7	14	21	28	35	105
Working conditions	6	12	18	24	30	90
Maximum total points of all factors depending on their importance to job					=	540

(Bank Officer)

d. Once the worth of a job in terms of total points is expressed, the points are converted into money values keeping in view the hourly/daily wage rates. A wage survey is usually undertaken to collect wage rates of certain key jobs in the organisation. Let's explain this:

Table 13.11: Conversion of Job Grade Points into Money Value

Point range	Daily Wage rate (₹)	Job grades of key bank officials
500-600300-400	1	Officer
600-700400-500	2	Accountant
700-800500-600	3	Manager I Scale
800-900600-700	4	Manager II Scale
900-1000700-800	5	Manager III Scale

Merits and Demerits

The point method is a superior and widely used method of evaluating jobs. It forces raters to look into all key factors and sub-factors of a job. Point values are assigned to all factors in a systematic way, eliminating bias at every stage. It is reliable because raters using similar criteria would get more or less similar answers. The methodology underlying the approach contributes to a minimum of rating error (Robbins p.361). It accounts for differences in wage rates for various jobs on the strength of job factors. Jobs may change over time, but the rating scales established under the point method remains unaffected.

On the negative side, the point method is complex. Preparing a manual for various jobs, fixing values for key and sub-factors, establishing wage rates for different grades, etc., is a time consuming process. According to Decenzo and Robbins, "the key criteria must be carefully and clearly identified, degrees of factors have to be agreed upon in terms that mean the same to all rates, the weight of each criterion has to be established and point values must be assigned to degrees". This may be too taxing, especially while evaluating managerial jobs where the nature of work (varied, complex, novel) is such that it cannot be expressed in quantifiable numbers.

A comparative picture of various job evaluation methods is presented on Table 13.12.

Table 13.12: Major Job Evaluation Methods

Method	What facet of is evaluated?	How is job evaluated?	Type of method	Major advantages(s)	Major disad-vantage(s)
Ranking	Whole job (compensable factors are implicit).	Jobs are subjectively ordered according to relative worth.	Non-quantitative	Relatively quick and in expensive.	Entirely subjective.
Classification	Whole job	Compare job to descriptions of job grades.	Non-quantitative	Readily available and inexpensive.	Cumbersome system.
Factor comparison	Compensable factors of job.	Compare job to key jobs on scales of compensable factors.	Quantitative	Easy to use.	Hard to construct; inaccurate over time.
Point method	Compensable factors of job.	Compare job to standardized descriptions of degrees of universal compensable factors and sub-factors.	Quantitative	Accurate and stable overtime.	May be costly.

13.26 LIMITATIONS OF JOB EVALUATION

Some of the limitations of job evaluation are:

1. Job evaluation is not exactly scientific.

2. '*The modus operandi*' of most of the techniques is difficult to understand, even for the supervisors.
3. The factors taken by the programme are not exhaustive.
4. There may be wide fluctuations in compensable factors in view of changes in technology, values and aspirations of employers, etc.
5. Employees, trade union leaders, management and the programme operators may assign different weightage to different factors, thus creating grounds for dispute.

Check Your Progress

Fill in the blanks:

1. __________ are defined broadly as any economic compensation paid by the employer to his labourers under some contract for the services rendered by them.
2. Principle of __________ acknowledges that factors/variables external to the organisation influence levels of compensation in an organisation.
3. Conflict arises over the measurement of __________.
4. __________ means that wages paid should be adequate to enable an employee to maintain himself and his family at a reasonable level of existence.
5. Productivity increases production and __________ costs.
6. The aim of __________ is to find the relative value/worth of a job and determine what a fair wage for such a job should be.

13.27 LET US SUM UP

- Job evaluation is the systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others within the organisation. Job evaluation helps to establish internal equity between various jobs.
- The four basic approaches to job evaluation are: the rankling method, the classification method, the factor comparison method, and the point method.
- The job ranking method arranges jobs in numerical order on the basis of the importance of the job's duties and responsibilities to the organisation.
- The job classification system slots jobs into pre-established grades. Higher-rated grades demand more responsibilities, tougher working conditions and varied job duties.
- The point system of job evaluation uses a point scheme based upon the compensable job factors of skill, effort, responsibility and working conditions. The more compensable factors a job possesses, the more points are assigned to it. Jobs with higher accumulated points are considered more valuable to the organisation.
- The factor comparison system evaluates jobs on a factor-by-factor basis against important jobs within an organisation.
- Compensation administration intends to develop the lowest-cost pay structure that will not only attract, inspire and motivate capable employees but also be perceived as fair by these employees.

- Establishing pay rates involves five steps: evaluate jobs, conduct salary survey, develop pay grades, use wage curves, and fine tune pay rates.
- The pay structure of a company depends on several factors such as labour market conditions, company's paying capacity, legal provisions, prevailing wage rates, demand and supply of labour, degree of unionisation, etc.
- The wage policy in India is built around certain cardinal principles: (i) equal pay for equal work, (ii) living wage for all workers so that they lead a decent life, (iii) payment of wages on appointed dates without unauthorised deductions, (iv) Resolving wage related issues through collective bargaining, (v) payment of statutory bonus at 8.33 per cent as per legal provisions, (vi) ensuring a fair, equitable wage plan for various employees without significant wage differences, etc.
- While designing a compensation system, every company needs to pay attention to: (i) internal as well as external equity (ii) fixed vs. variable pay (iii) payments based on performance or membership (iv) job-based pay or knowledge-based pay (v) payment as per market rates (vi) open vs. secret pay, etc.
- Executive compensation in India is built around three important factors: job complexity, employers' ability to pay and executive competency levels.

13.18 LESSON END ACTIVITY

Since employees may differ in terms of their job performance, would it not be more feasible to determine the wage rate for each employee on the basis of his or her relative worth to the organisation? Explain

13.29 KEYWORDS

Job Evaluation: A systematic way of assessing the relative worth of a job.

Performance Appraisal: A formal process in an organisation whereby each employee is evaluated to find how he is performing.

Job Analysis: The systematic collection, evaluation and organisation of information about jobs.

Ranking Method: A method of job evaluation which ranks employees from highest to lowest.

Classification Method: A method of job evaluation that concentrates on creating certain common job grades based on skills, knowledge and abilities.

Factor Comparison Method: A method of job evaluation where job factors are compared to determine the worth of a job.

Point Method: A method of job evaluation where jobs are classified on identification criteria and the degree to which these criteria exist on the job.

Compensable Factor: A fundamental compensable element of a job, such as skills, effort, responsibility and working conditions.

Wage Curve: Shows the relationship between the value of the job and the average wage paid for this job.

Employee Compensation: All forms of pay or rewards accruing to employees and arising from their employment.

Benchmark Job: A job that is used to anchor the employer's pay scale and around which other jobs are arranged in order of relative worth.

Ergonomics: Deals with designing jobs and equipment to fit the physical abilities of individuals.

Compensation: It is what employees receive in exchange for their contribution to the organisation.

Wages: The amount paid by the employer for the services of hourly, daily, weekly, fortnightly employees (ILO).

Incentives: Motivational devices used such as bonuses or commissions to encourage special work effort.

Salaries: Remuneration paid to the clerical and management personal employed on a monthly or yearly basis. However, the distinction between wages and salaries need not be observed in actual usage. Both may mean remuneration paid to an employee for services rendered.

Earnings: Total amount of remuneration received by an employee during a given period.

Wage Rate: It is the amount of remuneration for a unit of time, excluding incentives, overtime pay, etc.

Wage Structure: Consists of various pay scales showing ranges of pay within each grade.

Wage Policy: Principles acting as guidelines for determining a wage structure.

Minimum Wage: Wage sufficient to sustain and preserve the efficiency of the worker and to provide him basic amenities.

Wage Curve: Curve in a scatter diagram representing the relationship between relative worth of jobs and wage rates.

Pay Equity: An employee's perception that compensation received is equal to the value of work performed.

Pay Grades: Groups of jobs within a particular class that are paid the same rate.

Compensation Administration: Deciding about how much an employee should be paid observing internal as well as external equity.

Salary Survey: A survey aimed at finding prevailing wage rates.

Compensable Factors: Common job characteristics that an organisation is willing to pay for such factors as skill, effort, job responsibility and working conditions.

Benchmark Job: A job that is used to anchor the employee's pay scale and around which other jobs are arranged in order of relative worth.

Comparable Worth: Equal pay for similar jobs, jobs similar in skills, responsibility work effort, etc; the concept that male and female jobs that are dissimilar, but equal in terms of value or work to the employer, should be paid the same.

Competency-based Pay System: A pay system under which employees are paid on the basis of the number of jobs they are capable of doing, that is, on the basis of their skills or their depth of knowledge.

Broad Banding: Competency-based pay system that compresses many traditional salary grades (usually 10 to 20) into a few wide salary bands (three to four).

13.30 QUESTIONS FOR DISCUSSION

1. What is pay structure? How is it designed?
2. What are the factors influencing wage structure?

3. Write notes on
   a) Need based wage
   b) Wage boards
   c) Minimum wages act
4. Define and differentiate between living wage and minimum wage.
5. Explain the various methods of fixing wages and salaries in an organisation.
6. Write notes on:
   a) State regulation of wages
   b) Bonus
   c) Time wage plan vs. Piece wage plan
7. How does effective compensation management help an organisation achieve its strategic objectives?
8. Critically examine the components of a compensation package in organised industry in India.
9. What are the principal objectives of wage and salary administration? What factors should be taken into account while deciding executive compensation?
10. Write short notes on:
    a) Wage policy in India
    b) Executive compensation
    c) Wage differentials
11. What are the pros and cons of broad banding, and would you recommend your current employer (or some other firm you are familiar with) use it? Why or Why not?
12. What can companies do to ensure internal, external and individual equity for all employees?
13. Why are competency-based compensation, broad banding and variable pay all related to changing strategies for compensating employees?
14. 'If the employees believe that subjectivity and favouritism shape the pay system in an organisation, then it does not matter that the system was properly designed and implemented'? Discuss.
15. What are some of the problems of developing a pay system based on equal pay for comparable work (e.g., women being paid less than those performed by men)?
16. Do small companies need to develop a pay plan? Why or Why Not?
17. How should an organisation integrate its competitive strategy into its compensation system? What specific steps would you follow?
18. Some companies have a policy of selectively matching external offers to prevent employees from leaving the company. What are the pros and cons of such a policy? Explain
19. One expert argues that external equity should always be the primary concern in compensation, noting that it attracts the best employees and prevents the top performers from leaving. Do you agree?
20. What is job evaluation? Explain the objectives of job evaluation. How do you prepare the ground for evaluating jobs?

21. What are the conventional and non-conventional techniques of job evaluation? What type of technique would you adopt to evaluate the jobs of Engineer (Maintenance), Engineer (Marketing) and Chief Engineer in a large machine tools industry?
22. What are the quantitative and non-quantitative techniques of job evaluation? Which type of technique do you adopt to evaluate the job of Officer (Agriculture), Officer (Large Industry), Officer (Small Scale Industry), Economic Officer and General Officer, in a large commercial bank?
23. "Job evaluation does not usually price jobs". Discuss.
24. Explain the advantages and limitations of job evaluation as a basis for fixing and revising wages and salaries.
25. Explain different techniques of job evaluation. What are the advantages and disadvantages of each technique?
26. How can a job evaluation programme be made more effective?
27. Discuss the utility of job evaluation. Briefly explain the various methods of job evaluation.
28. Define and differentiate between job analysis and job evaluation. Explain the organisational context when you would undertake one or the other.
29. Explain the procedure involved in the evaluation of a job.
30. Identify such elements of wages which are common in all the statutory definition?

Check Your Progress: Answers

1. Wages
2. External Equity
3. Productivity
4. Living wage
5. Decreases
6. Job evaluation

13.31 REFERENCE/ SUGGESTED READINGS

Armstrong, M. (2020). *Armstrong's handbook of reward management practice* (6th ed.). Kogan Page.

Bhattacharyya, D. K. (2021). *Compensation management: A strategic approach*. Oxford University Press.

Dessler, G. (2022). *Human resource management* (17th ed.). Pearson Education.

Gupta, C. B. (2020). *Wage and salary administration in India: Principles, policies, and practices*. Journal of Human Resource Management, 16(3), 34-56.

Mathis, R. L., & Jackson, J. H. (2019). *Human resource management: Compensation and benefits* (15th ed.). Cengage Learning.

Rao, T. V. (2021). *Job evaluation: Concepts, methods, and applications in compensation management*. Indian Journal of Industrial Relations, 57(2), 42-58.

Torrington, D., Hall, L., & Taylor, S. (2022). *Compensation and wage policy in modern organizations* (11th ed.). Pearson Education.

Chand, S., & Mehta, R. (2022). *Wage policy and its impact on employee motivation in Indian industries*. Journal of Labour Economics, 15(2), 56-71.

Dutta, P., & Sharma, K. (2020). *The influence of compensation management on employee performance in public and private sectors*. Human Resource Review, 12(1), 44-60.