

Human Resource Management



Institute of Open and Distance Education

Faculty of Management

Human Resource Management



4BBA6



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Chhattisgarh, Bilaspur A STATUTORY UNIVERSITY UNDER SECTION 2(F) OF THE UGC ACT

4BBA6

Human Resource Management

4BBA6, Human Resource Management

Edition: March 2024

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Published by:

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CHAPTER 8: INDUSTRIAL RELATIONS

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CHAPTER 10: HUMAN RESOURCE AUDIT (HR)

Concepts of Human Resource Management

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The Chapter Covers :

- Evolution of the Human Resource Management
- Concepts And Perspectives Of HRM
- Features of HRM
- Approaches of HRM
- Functions of Human Resource Management
- Scope of HRM
- Objectives of Human Resource Management
- The Changing Nature of HRM Function
- HR, HRM & HRD
- Human Resource Areas
- Communication Policies
- Structure of HR Department
- HRM in India
- A Case Study

Learning Objectives:

After going through this chapter, you should be able to:

- Define Human Resource Management
- Understand various Features, Approaches, Scope, Objectives and Importance of HRM
- Differentiate between HR, HRM and HRD
- Explain the Structure of HR Department in any organization
- Discuss HRM in India

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INTRODUCTION

For any country its human resources can be defined as the sum total of the knowledge, skills, creative abilities, talents and aptitudes. Similarly, from the viewpoint of an organization, it represents the sum total of inherent abilities, acquired knowledge and skills, talent and aptitudes of its employees. The human resources have also been designated as human factors. According to Julius, 'the human factor' refers to a whole consisting of inter-related, interdependent and inter-acting physiological, psychological, sociological and ethical components.

In order to have healthy human resources there is the need to pay attention to and provide for physiological components, such as food, rest and environmental conditions to satisfy the physiological need of people at the workplace. It is also important to focus on protection against harmful and destructive conditions and attempts to avoid drop in income/benefits or even employment status (e.g. a demotion from a higher level or role to a lower level or role) so as to have physiological security.

On the psychological aspects, there is the element of emotions and impulses. These aspects are far more subjective and to add the challenge are uniquely different for each individual. While something can inspire someone and the same things can depress and act as a de-motivator for others. People in the organizational context have numerous psychological needs such as autonomy, achievement, power, acquisitiveness etc. It is natural for employees to look for the satisfaction of these needs within the organization. As a social being, each individual looks to satisfy his/her personal needs and aspirations as also the sense of affiliation, status, recognition, prestige etc.

Another factor that influences individuals at work are ethical in nature and it addresses the right and wrongness of whatever the individual experiences. It is not uncommon of people leaving a company because they did not like the policies that they needed to comply with, e.g. corruption in dealing with certain authorities etc.

There is no doubt that human resources have been critical in organizations since the very beginning and continue to be critical and significant in today's organizations. The paradox lies in the fact that even today the majority of challenges in organizations pertain to the human and social rather than physical, technical or economic factors. It is a truism that productivity is associated markedly with the nature of human resources and their total environment consisting of inter-related, inter-dependent and interacting economic and non-economic (i.e., political, religious, cultural, sociological and psychological) factors. Thus, the significance of human resources can be examined from at least two standpoints-economic and non-economic. While the economic factors are easily identifiable and controllable the non-economic factors require keen observation and listening skills and will need to be redressed differently and sensitively.

The management of Human Resources has now assumed strategic importance in the achievement of organizational growth and excellence. As globalization advances and we move into the information age, organizations need to adapt to the changes in technology and the changing issues in management of people.

Some critical issues have clearly emerged - planning, acquisition and development of human resources, responding to the demands of the work place and, above all, evolving a strategy of dealing with industrial conflict. As a management practice, it covers all the conventional areas of personnel management and industrial relations, as well as the relatively new areas such as communication, counseling, training and development, and job enrichment.

EVOLUTION OF THE HUMAN RESOURCE MANAGEMENT

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The historical background to the management techniques of human resources are in vogue since ancient times. It's only in the past 100 odd years that the techniques and study of human behavior at work has become formal and structured with certain basic practices established as core and a host of other practices left to each organization to design and implement as per their individual business driven practices. As per Fisher, Schonfeldt and Shaw, in their book titled Human Resources Management, they have characterized the history of HRM as having evolved through four broad phases, the Craft system, the scientific system, the human relations approach and the prevalent organizational science-human resources approach.

The Craft system refers to early trends noticed in Egypt and Babylon, where skills based training was provided to people to ensure a steady flow of craftsmen required to build huge monuments. By the 13th century, subsequently the trend was noticed in Europe and later craft guilds evolved to ensure not only the skill acquisition but regulate the conditions of employment, level of skill and improved production techniques. Most relevant in the domestic industry where generations of skilled workers trained and became experts in a particular skill.

The Scientific Management approach was a key part of the industrial revolution typical of the nineteenth and early twentieth century. It was instilled in the principles of mass production and organization of work -simple work skills and supervisory/managerial skills. This rapidly emerged as the assembly line approach to managing workflow, which later Fredrick Taylor (1856-1915) pioneered based on the philosophy that employees wanted to be used efficiently and money being the primary motivator. Over a period of time this was proved wrong as employee dissent grew and union issues surfaced. It was during this phase that employee welfare as a key HR practice emerged which redressed employee issues like recreational facilities, medical program and employee grievance.

The Human Relations approach was an outcome of the famous studies undertaken by US social scientist Elton Mayo and Fritz Roethlisberger at the Western Electric's Hawthorne plant in Chicago.

The Hawthorne Studies: As described in virtually every book written about management, the human relations or behavioral school of management began in 1927 with a group of studies conducted at the Hawthorne plant of Western Electric, an AT&T subsidiary. Curiously, these studies were prompted by an experiment carried out by the company's engineers between 1924 and 1932. Following the scientific management tradition, these engineers were applying research methods to answer job-related problems.

Two groups were studied to determine the effects of different levels of illumination on worker performance. One group received increased illumination, while the other did not. A preliminary finding was that, when illumination was increased, the level of performance also increased. Surprisingly to the engineers, productivity also increased when the level of illumination was decreased almost to moonlight levels. One interpretation made of these results was that the employees involved in the experiment enjoyed being the centre of attention; they reacted positively because management cared about them. The reason for the increase in the production was not the physical but the psychological impact of the employee's attitude towards the job and towards the company. Such a phenomenon taking place in any research setting is now called the Hawthorne effect.

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As a result of these preliminary investigations, a team of researchers headed by Elton Mayo and F.J. Roethlisberger from Harvard conducted a lengthy series of experiments extending over a six year period. The conclusions they reached served as the bedrock of later developments in the human relations approach to management. Among their key findings were the following:

- Economic incentives are less potent than generally believed in influencing employees to achieve high levels of output.
- Leadership practices and work-group pressures profoundly influence employee satisfaction and performance.
- Any factor influencing employee behaviour is embedded in a social system. For instance, to understand the impact of pay on performance, you also have to understand the climate that exists in the work group and the leadership style of the superior.

Leadership Style and Practices: As a consequence of the Hawthorne Studies, worker attitudes, morale, and group influences became a concern of researchers. A notable development of the nature occurred shortly after World War II at the University of Michigan. A group of social scientists formed an organization, later to be called the Institute for Social Research, to study those principles of leadership that were associated with highest productivity.

Based upon work with clerical and production employees, an important conclusion was that supervisors of high-producing units behaved differently from those of low-producing units. The differences in style among the supervisors of high productive groups in comparison to their lower producing counterparts were:

- More emotionally supportive of subordinates.
- More likely to pay a differentiated role - plan, regulate, and coordinate the activities of subordinates, but not become directly involved in work tasks.
- More likely to exercise general rather than close or light supervision.
- The origin and progress of the human relations movement (particularly in U.S.A.) has been due to certain social and cultural forces working there, such as Recognition of the dignity of the individual and his personality. The individual has a lot of freedom of choice and the idea of decision-making by oneself is deep-rooted in the national tradition.
- A child is brought up to value independence and encouraged to think on his own and not to be dependent on parents.
- Virtual disappearance of owner managers and the growth of professional managers capable of managing according to professional code.
- Strong organizations of labor, at all levels, calling for higher skills in communication and participative behaviour on the part of the management.
- Shortage of labor led to skilled labor being treated as nearly irreplaceable. Hence, much greater care in utilizing this scarce and valuable resource had to be thought of in the form of "Human Relations."
- Higher standards of living of American labor. Since their physical and security needs were generally satisfied, increased participation alone could satisfy their emerging social and ego needs.

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- The possible weakening of work ethics, requiring managers to develop new attitudes towards labor.
- The changing work environment-greater specialization and a large scope of operations - which require a greater degree of managerial effectiveness with and through employees.
- A significant increase in the general educational level of employees who, as a result, demanded more from their employers.

Concurrent with the growth of human relations in work organizations, has been the burgeoning of techniques and programmes to foster human growth off the job. In the last two decades, millions of people seeking personal growth (or sometimes simply emotional arousal) have participated in programmes such as encounter groups, marriage enrichment groups, seminar training, couples groups, and transactional analysis.

During the early 1970s, the human potential (meaning development of one's potential) movement began to appear in work settings. Management awareness training and assertiveness training represent two other techniques related to the development of human potential. Both are designed to deal with the problem of job discrimination against women. In management awareness training, managers are made more sensitive to their sexist attitudes (such as thinking of all engineers are male) and in changing their attitudes.

Assertiveness training has been widely used to help women to be more direct in making known their demands for equal opportunity.

Career development programmes in industry are more prevalent today than at any time in the past. Although varying widely in content, all these programmes are designed to help the individual make career decisions that will move him or her toward self-fulfillment. In the process, it is assumed that the person will make a better contribution to the organization.

CONCEPTS AND PERSPECTIVES OF HRM

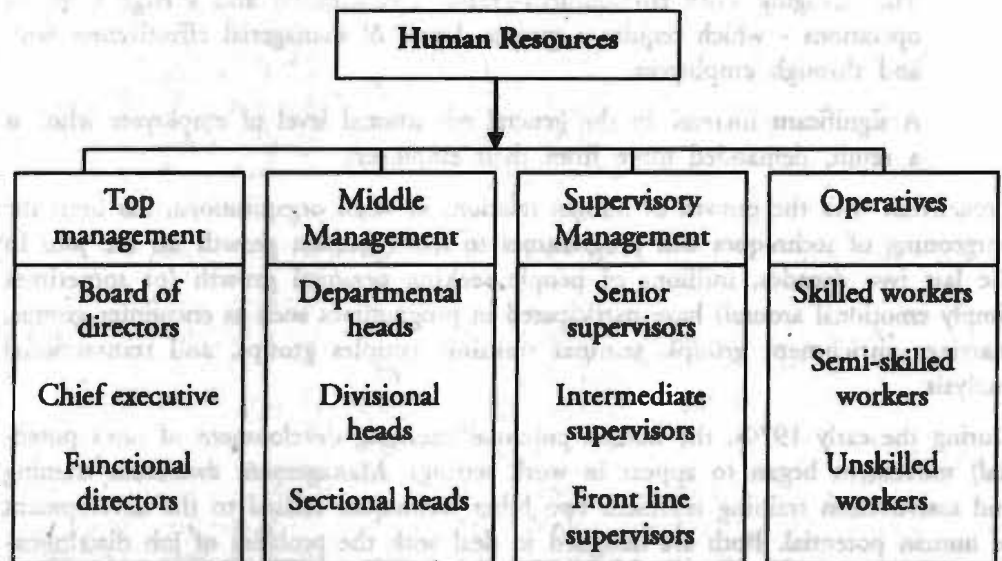
Human Resource Management (HRM) is the function within organization that focuses on recruitment of, management of, and providing direction for the people who work in the organization. Human Resource Management can also be performed by line managers.

Human Resource Management is the organizational function that deals with issues related to people such as compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration, and training.

In a general way, human resources are the people and their characteristics at work. It is term that is used to describe the individuals who comprise the workforce of an organization. Human resources represent the level of the inherent abilities, acquired knowledge and skills as demonstrated in the talents of an organization. An organization performs a number of functions to achieve its objectives. Hence, it requires human resources of different types which may be categorized on the basis of functional areas like production, marketing, finance, etc. Human resources work pervasively in the organization which means that they work at all levels.

DIAGRAMMATIC REPRESENTATION OF HR STRUCTURE OF AN ORGANIZATION

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Meaning of HRM

In simple words, HRM refers to managing the people of an organization. It is a strategic approach for acquisition, motivation, development and management of the organization's human resources. It attempts to develop an appropriate corporate culture which reflects the core values of the enterprise and ensures its success. HRM is a proactive approach as it always underlines as to what needs to be done related to recruitment, training and managing the human resources. HRM focuses more on employment and utilization of human resources with a view that organization has right people at right time and at right place.

Definitions of HRM

Milkovich and Boudreau have defined HRM as follows,

"Human Resource Management is a series of integrated decisions that form the employment relationships; their quality contributes to the ability of the organizations and the employees to achieve objectives".

According to Mamoria and Gankar,-

"HRM is concerned with the people who work in the organization to achieve the objectives of the organization. It concerns with the acquisition of appropriate human resources, developing their skills and competencies, motivating them best performance and ensuring their continued commitment to the organization to achieve organizational objectives".

Principles of Human Resource Management

HRM is an approach to the management of people based on four fundamental principles:

1. Human resources are the most important assets of an organization and their effective management is the key to success.
2. Success is most likely to be achieved if the personal policies and procedures contribute to corporate objectives and strategic plans.
3. Organizational values must be changed, or reinforced towards the achievement of excellence.
4. All members of the organization should work for a common purpose.

FEATURES OF HRM

Human resource management is concerned with most effective use of people to achieve organizational & individual goals. On the basis of definition of HRM, we can identify its features relevant to understand its exact nature and scope.

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1. **HRM is a part of management discipline:** - HRM is not a discipline in itself, although it is a part of management discipline. A discipline is an accepted science with a theoretical foundation that serves as the basis for research and analysis. HRM being a part of management process, impacts heavily from management concepts, principles and techniques and apply these in the management of human resources.
2. **HRM is a continuous process:** - HRM is not one shot deal. It cannot be practiced one hour a day or one day a week. HRM is a continuous phenomenon as it requires constant alertness and awareness of human relations and their importance in every day operations.
3. **HRM is concerned with people:** - HRM is basically concerned with people in the organization. HRM looks after the people who are presently available in the organization and those people who are having the potential to be employed in the organization. HRM is a prime tool for bringing people in the organization. HRM takes care of people working at all levels of organization. HRM is all about people at work both as group & individuals. It tries to put people an assigned job in order to produce good result.
4. **HRM is directed towards achievement of objectives:** - HRM provides tools and techniques for managing people towards achievement of objectives of the organization. HRM helps in enhancing the quality of people which is utilized in getting the objectives accomplished.
5. **HRM has Universal Existing:** - HRM exists in all business and organizations as well as in all types of organized activities. It is relevant to all the fundamental areas of a business organizations production, marketing, finance, research and development. Hence, HRM exists universally. HRM is pervasive in nature as it is present in every enterprise & at all level of management in an organization.
6. **Action oriented:** HRM focuses attention on action rather than record keeping, written procedures or any rules.
7. **Individually oriented:** It helps employees develop their potential fully & encourages them to give output their best to the organization & motivates them through systematic process.
8. **Integrating mechanism:** HRM tries to build & maintain relations between people working at various levels in the organization & integrate human assets in best possible manner.
9. **Comprehensive function:** HRM is to some extent concerned with any organizational decision which has an impact on the workforce of organization at all levels.
10. **Inter disciplinary function:** HRM is a multi disciplinary activity utilizing knowledge & inputs drawn from psychology, sociology anthropology, economics etc.
11. **Auxiliary service:** HRM department exist to assist & advise the line or the operating managers to do their personal work more effectively.

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APPROACHES OF HRM:

HRM is really personnel management:

Human resource management is a modernized form of 'personnel', repackaged to enhance the status of personnel managers. HRM is based on integrated and coherent recruitment, assessment and development programmes.

HRM is a strategic model:

It employs the techniques of strategic management for the utilization of human resources. It focuses on senior manager concern with achieving objectives and containing costs. HRM aims for a seamless link between business policy and recruitment, performance assessment, reward management, development and dismissal. HRM is a mechanism for control and the exercise of power by top management.

HRM is people management:

It covers all aspects of managing employees in its widest sense and emphasizes the role of line managers in overseeing their own staff.

Core values of HRM:

1. Human beings are the crucial aspects of every organization. The greater is the commitment of the human resources the more successful is the organization.
2. An individual is a whole person. He brings all aspects of his personality, attitudes, traits and behavior to the work place.
3. All people represent the organization. The building, equipment and other resources are productive only because they are being handled by the hyper energetic forces of humans.
4. People are different from each other. They vary in abilities, nature, personality; religion etc. People are also influenced by social economic and environmental factors.
5. Human resources have to be acquired, developed and motivated to give higher performances and also must be retained.
6. The success of an organization depends upon the satisfaction of organizational needs and employees needs. There are various levels of hierarchical levels in an organisation. The people who manage (i.e., the managers), and people who are at work (subordinates). The effective coordination and commitment between managers and subordinates is essential for organizational success. Apart from that healthy relationships are to be maintained with consumers, shareholders, entrepreneurs, governments and suppliers.
7. Human relations enable people to work effectively in an organization with other people in organization.

Functions of Human Resource Management

Human Resource Management involves the development of a perfect blend between traditional administrative functions and the well-being of all employees within an organization. Employee retention ratio is directly proportionate to the manner in which the employees are treated, in return for their imparted skills and experience. A Human Resource Manager ideally empowers inter-departmental employee relationships and nurtures scope for down-the-rung employee communication at various levels. The field is a derivative of System Theory and Organizational Psychology. The Human Resource department has earned a number of related interpretations in time,

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but continues to defend the need to ensure employee well-being. Every organization now has an exclusive Human Resource Management Department to interact with representatives of all factors of production. The department is responsible for the development and application of ongoing research on strategic advances while hiring, terminating and training staff. The Human Resource Management Department is responsible for:

- Understanding and relating to employees as individuals, thus identifying individual needs and career goals.
- Developing positive interactions between workers, to ensure collated and constructive enterprise productivity and development of a uniform organizational culture.
- Identify areas that suffer lack of knowledge and insufficient training, and accordingly provide remedial measures in the form of workshops and seminars.
- Generate a rostrum for all employees to express their goals and provide the necessary resources to accomplish professional and personal agendas, essentially in that order.
- Innovate new operating practices to minimize risk and generate an overall sense of belonging and accountability.
- Recruiting the required workforce and making provisions for expressed and promised payroll and benefits.
- Implementing resource strategies to subsequently create and sustain competitive advantage.
- Empowerment of the organization, to successfully meet strategic goals by managing staff effectively.
- The human resource department also maintains an open demeanor to employee grievances. Employees are free to approach the human resource team for any conceived query or any form of on-the-job stress that is bothering them.
- Performance of employees is also actively evaluated on a regular basis. These are checks conducted by the HR to verify and thereby confirm the validity of the employees actual performance matching the expected performance.
- Promotions, Transfers or expulsion of services provided by the employee are some duties that are enforced by the human resource department. Promotions are conducted and are predominantly based on the overall performance of the individual, accompanied by the span or tenure he has served the organization. The Human resource department also looks at the possibilities of the employee migrating from one job to another, maintaining the hierarchy in the company and considering the stability of post and the salary obtained over a period of time.

Ideally, a Human Resource Management Department is responsible for an interdisciplinary examination of all staff members in the workplace. This strategy calls for applications from diverse fields such as psychology, paralegal studies, industrial engineering, sociology, and a critical understanding of theories pertaining to post-modernism and industrial structuralism. The department bears the onus of converting the available task-force or hired individuals into strategic business partners. This is achieved via dedicated Change Management and focused Employee Administration. The HR functions with the sole goal of motivating and encouraging the employees to prove

Check Your Progress

1. Define HRM?
2. What is Quality of work life?

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their mettle and add value to the company. This is achieved via various management processes like workforce planning and recruitment, induction and orientation of hired task-force and employee training, administration and appraisals.

SCOPE OF HRM:

The scope of HRM is very wide.

1. **Personal Aspect:** This is concerned with manpower planning recruitment, selection, placement, transfer, promotion training & development, retrenchment, incentive & productivity etc.
2. **Welfare Aspect:** It deals with working conditions such as canteens, lunch room, restroom, crèches, housing, transport, medical assistance, and education, safety about health & recreation facilities.
3. **Industrial Relation Aspect:** This covers union management relation joint consultation, collective bargaining, grievance and disciplinary procedures settlement of disputes etc.

OBJECTIVES OF HUMAN RESOURCE MANAGEMENT:

The primary objective of HRM is to ensure the availability of competent and willing workforce to an organization. Specifically HRM has four fold- Social, organization, functional & personnel.

1. **Social objectives:** To be ethically & socially responsible to the needs & challenges of the society while minimizing the negative impact of such demands upon the organization.
2. **Organizational Objectives:** To recognize the role of HRM bringing about organizational effectiveness. The HRM department exists to serve the rest of organization.
3. **Functional objectives:** To maintain the department's contribution at a level appropriate to the organization needs.
4. **Personnel objectives:** To assist employees in achieving their personal goals as these goals enhance individual's contribution to the organization.

IMPORTANCE OF HRM:

HRM plays an important role. It helps an organization in many ways. The concept of Human beings is a very crucial and vital factor of production; HRM is gaining more and more importance day by day. It also has important implication in societal development also. It is the heart and soul of Modern Management.

- 1) **Development and Growth, of the organization:** By improving the individual capabilities, acquiring necessary cooperation and developing teamwork. HRM makes sure that the organization develops and grows well. Goals of the organization are met by HRM by effective motivation and excellent utilization of employees.
- 2) **Creation of healthy culture in the Organization:** HRM creates and maintains excellent culture in the organization and it makes people develop and grow.
- 3) **Maintenance of Human Resources:** The development, care of Human Resources is done by the HRM.
- 4) **It is needed in short, medium & long run:**
 - a. At individual level-Effective management of human resource promote teamwork & team spirit among employees.

- b. It offers excellent growth opportunities to the people who have the potential to rise.
- c. It inspires people to work with diligence & commitment.

THE CHANGING NATURE OF HRM FUNCTION

Today, competitive advantage is based on the successful application of knowledge. Managing people, as an HRM function, has broadened, to include managing organizational capabilities, relationships, learning and knowledge. These functions include four generic areas, i.e.

- a) Roles,
- b) Relationships,
- c) Strategic focus, and
- d) Learning focus

These areas are different from each of the economy functions, like traditional, transitional and knowledge.

- Innovate HRM
- Crafting creative business strategies
- Organizational restructuring
- Creating social networks
- Invoking new challenges
- Shifting approach
- Enabling companies to go global
- Leading to superior performance
- Creating knowledge work force
- Human Resource Information System (HRIS) for Effective HRM

In today's competitive business environment, the cutting edge for any organization is given by the speed with which it takes decisions to respond to changes in the environment, internal or external. A well-designed computerized HRIS alone can provide the information and analysis within the shortest possible time. Now-a-days, many organizations are using the computerized HRIS. They keep records in a compact manner, enabling access and retrieval, in a flexible way.

1. Benefits of HRIS
2. Simplified data entry
3. Less paperwork
4. Fast and accurate
5. Better use of feedback
6. Increased efficiency
7. Improved tools for data analysis

HRIS has great significance in every sector and it can play a vital role. It helps to have a better communication process in the organization and we can offer better service with less effort at reduced cost.

Most importantly, organizations can hire and retain top performers, improve productivity and enhance job satisfaction of the employees.

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HR, HRM & HRD

Human Relations is called HR also known as Human Resources. Managing HR is called Human Resources Management (HRM). Developing HR is called HRD. HRM is a philosophy, while HRD includes the activities and processes undertaken to promote the intellectual, moral, psychological, cultural, social and economic development of the individuals in an organization, in order to help them to achieve higher human potential as a resource for the community. It is a continuous process by which the employees are assisted in a planned way to develop capabilities.

Trends in HRM

An organization's labour force comes from its external labour market - individuals who are actively seeking employment. HRM helps organizations to find and keep the best possible fit between their social system and technical system. Organizations need employees with broad skills and strong motivation. Recruiting and selection decisions are especially important for organizations that rely on knowledge workers. Employees' responsibility and authority are given to make decisions regarding all aspects of product development or customer service. HR professionals can support organizational strategies for quality growth and efficiency.

Organizations with international operations hire employees in foreign countries, where they operate, as they need knowledge of differences in culture and business practices.

Now-a-days, information system has become a tool for more HR professionals, and often, these systems are provided through the Internet. The widespread usage of the Internet also includes HRM applications. Organizations search for talents, and screening candidates online. Employees may receive training online. The employment relationship takes the form of a psychological contract that describes what employers and employees expect from the employment relationship. The employees are looking for flexible work schedules, comfortable working conditions, greater autonomy, opportunities for training and development, and performance-related financial incentives. For HRM, the changes require planning for flexible staffing levels.

Organizations seek flexibility in staffing levels through alternatives to the employment relationship. They may use outsourcing as well as temporary and contract workers.

Strategic HRM

It is that set of managerial decisions and actions that determine the long term performance of a corporation. It includes environmental scanning, strategy formulation, implementation, evaluation and control. The biggest benefit that strategic HRM offers is competitive advantage by building critical capabilities of HR in an organization. Strategic HRM facilitates in strategy formulation by making an organization's SWOT analysis, and also in policy implementation by providing competent human resources and competitive intelligence.

HRM in LPG (Liberalization, Privatization & Globalization) Era

We can divide HRM into seven sections, i.e.,

- (i) HRM - Environment and Strategies
- (ii) HRM - Acquisition and Absorption
- (iii) Development
- (iv) Maintenance and Retention

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- (v) Control
- (vi) Miscellaneous
- (vii) HRM Practices

HRM Environment and Strategies includes objectives, scope and functions, evolution and development of HRM.

Acquisition and Absorption includes HR planning, job analysis and design, recruitment, selection, placement, induction and socialization.

Development section includes career planning and development, employee training, executive development, organization development and internal mobility and separation.

Maintenance and Retention section includes job evaluation, wage and salary administration, incentives and benefits, motivation, employee empowerment, workers participation in management, employee health and safety, social security, employee discipline, employee grievance, industrial relations, industrial disputes, trade unions, collective bargaining, performance & potential appraisal.

Control section includes personnel research and audit, human resource audit and human resource information system.

Miscellaneous section includes HRM in a changing environment, IHRM, HRM in virtual organizations.

The final section is HRM Practices in various organization levels.

Corporate Strategy in Human Resource Management

Today, there is an urgent need to link human resource management, inextricable, to the business of the organization, at both the strategic and practical levels. The HR manager has the task of being on a constant look-out for the right choice of employees, fine-tuning the job mix and compensation package to benefit the individual and the organization, devising a flat organization structure and organizing training programmes for continuing the education at different levels in the organization.

Best Practices in HRM

A best practice in HRM has invoked a great deal of interest among HR professionals. Companies that are currently under-performing in the HR area can learn and adopt some of the best practices from organizations that have acquired some mastery over the good practices in HR. In the era of liberalization, the competitive scenario in the business environment has changed a lot. Consequently, HR practices have also changed phenomenally. The performance of the employees determines the failure or the success of an organization. There are four stages of integration between HR functions and the strategic management functions: -

1. Administrative Linkage
2. One-way Linkage
3. Two-way Linkage
4. Integrative Linkage

HR experts are having the opinion that, though "best practices in HRM" cannot be uniformly applied to all the organizations, they have a kind of uniform applicability in some functional areas, where psychological factors play an important role. Such areas are broadly classified as follows: -

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HRM in Cross-Cultural Context

Multi-cultural workforce congregations have become today's workplace realities. The cross-border market terrorism spared by MNCs evoked counter-insurgency and strategic warfare from domestic businesses. Partnering people in this race is vital for success in the market place. Workplaces have increasingly symbolized multi-cultural villages, resulting in a growing need for cross-cultural intelligence. The future competitiveness of corporations will depend on their ability to attract and manage diverse talents effectively. Cross-cultural training will give managers on international assignments the cultural understanding essential to accomplish their tasks. Cross-cultural differences are the cause of failed negotiations and interactions, resulting in losses to the firms. The strategic role of HRM in strengthening and sustaining corporate growth has assumed paramount significance, the world over.

Employee Engagement

Products and process alone can't help organizations to sustain loyal customers. They also need highly-motivated, dedicated and involved employees who are very passionate about their work and their organization; in short, they need "engaged employees". But, nurturing engaged employees requires a lot of effort and skill on the part of HR managers and calls for a different HR philosophy in the organization.

We need employee engagement to serve as a core competency of an organization that would provide sustainable competitive advantage. We know employee engagement towards their work, throw few test "symptoms", i.e., feeling of creating value, having a direction to follow, an air of trust, creating engaged employees through top management endorsement, a work environment to cherish, innovative leadership and clear growth trajectories, 'one step up from commitment'. Employee engagement is the new buzzword. A successful business is directly linked to the commitment of its employees. Employee engagement ensures the successful execution of any business strategy.

BPO Scenario: HR Issues & Challenges

Human resources are the lifeline of BPO companies. The majority of the workforces in the BPO industry are young, literate and dynamic. Outsourcing HR functions will be the next big leap in India's BPO arena. The HR outsourcing segment is still in its nascent stage in the BPO Industry.

HUMAN RESOURCE AREAS:

1. Quality of Work life:

It is multifaceted concept. The premise of quality is work life is having work environment where an employee's activities become more important. It means implementing procedures or policies that make the work less routine and more rewarding for employee. These procedures or policies include autonomy, reorganization, belonging, progress & development and some external reward. Autonomy deals with amount of freedom that employees can work in their job. Reorganization involves being valued by others in company. Belonging refers to internal rewards available from the company's challenge & accomplishment. External reward means reward in form of salary benefits & also includes promotion, rank & status. These components provide quality of work life for individual. If quality of work life is lacking then worker's productivity may suffer.

2. Productivity:

Productivity is the quantity or volume of the major product or services that an organization provides. Many components constitute the productivity factor:

Check Your Progress

3. What are HRM Objectives?
4. What is career planning?
5. What is job analysis?

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- a) Capital investment includes having the best possible machinery available that will help to improve the efficiency of workers.
- b) Innovation is a process whereby new ideas & creative ideas are welcomed, studied for the feasibility & implemented, if found feasible.
- c) Learning looks at training issues: Not only we want individual to work efficiently but also effectively. Finally productivity is contingent on an employee's motivation. Productivity improvement can be achieved through proper equipment, training, new ideas & increased motivation.

3. Readiness for change:

Change is a fact of life everywhere. At work we must be aware that changes will occur. The changes might be suitable such as getting a new Boss or organization installing a new work system. But fear must not be associated with changes & to reduce their fear, training is important about getting ready for change. Employers must make changes to remain competitive, innovative & responsible.

RESPONSIBILITIES OF HRM

Human resources management is responsible for the following:

- 1) **Promotion of organizational needs:** This is a very crucial function of HRM. The organization needs people human assets. People appreciate day by day with experience and are extremely valuable assets in an organization.
- 2) **Development of employees:** He does bring his abilities, attitudes, personality, and behavior with himself. An individual aims for development and personal growth in the work sphere.
- 3) **Relationship maintenance function:** HRM functions include maintenance of effective interpersonal relations. In this context the functions of legal compliance, maintenance and Industrial relations are done by HRM.
- 4) **Performance Appraisal:** Performance appraisal also called "merit rating" or "employee rating is a means of helping supervisors to evaluate the work of employees. It is the name given to the regular formalized and recorded review of the way in which an individual performs in his or her job. This is normally carried out by the job holder's immediate boss.
 - It helps employee in self-appraisal.
 - It reviews his performance in relation to the objectives and other behaviors.
 - It checks reviews done by the superiors.
 - It sends summary information for central storage and use.
 - It analyses the difficulties of the employees and works to remove them. It helps employees to face challenges and accept responsibilities.
- 5) **Counseling:** "Counseling is helping the employee to recognize his own strengths, weaknesses and potential and helping him to prepare action plans for own development." Giving feedback in "threatening way" or correcting the undesirable or unsatisfactory behaviour of employees by pointing it out the deficiencies or other malfunctioning and warning them not to repeat this behaviour are all integral parts of a manager's role and are not the same as counseling.
 - They give critical and supporting feedback.

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- They discuss with the employee the difference between his self rating and the rating, by the immediate superior.
 - They discuss the steps the employee can take for improvement.
 - They provide support.
- 6) **Career Planning:** Career planning involves identifying the right potential well in time, for development to take over higher responsibilities. This includes promotion and planned job rotation under various conditions and environments of challenge. In this process, attention is focused on individual's style of working than his current performance results. Current results can provide reasonable clues of future potential, but they are not the sole criterion; current results only, could be misleading in judging one's potential.
 - 7) **Succession Planning:** Succession planning entails in identifying the key jobs in an organization and ensuring that, if anything, planned or unplanned were to remove the present job holder from his post, there would be someone ready to take the place. This benefits the company by ensuring that there are no expensive gaps, or panic measures to fill them. It benefits the individual by providing him with opportunities for advancement. Three broad steps are required in this context (i) to decide which job is the key job in the organization; (ii) to identify the potential incumbent who can fit the position; & (iii) to make necessary records in the organization chart. Therefore, a succession plan is indicate that who can succeed whom in the hierarchy.
 - 8) **Training:** The purpose of training is to improve the capabilities of the human resources in order to increase their efficiency and effectiveness on the job. Training is expected to indicate positive changes in knowledge, skill and attitudes. Training is job oriented and fulfills the current needs of an individual to overcome job difficulties.
 - 9) **Job Evaluation:** Job evaluation is concerned with establishing the relative worth of a job compared to other jobs within an organization. In job evaluation one attempts to consider and measure the inputs required of employees (know-how, accountability and problem solving etc.) for minimum job performance and to translate such measures into specific monetary returns.
 - 10) **Transfer, Promotion & demotion:** Transfer is a lateral movement within the same grade, from one job to another. A transfer may result in changes in duties and responsibilities, supervisory and working conditions, but not necessarily salary. Promotion is the advancement of an employee from one job level to a higher one, with increase in salary. Demotion is the opposite of promotion. It is a downward movement from one job level to another, leading to a reduction in rank, status, pay and responsibility.
 - 11) **Job Analysis:** Job analysis is the process of studying and collecting department information relating to operations and responsibilities of a specific job. The immediate products of this analysis are job description and job specification. Job description is an organized factual statement of duties and responsibilities of a specific job, whereas, job specification is a statement of the minimum acceptable qualities necessary to perform a job properly.
 - 12) **Role Analysis:** Role analysis is the process of defining a role in the context of its work system, in terms of expectation of important persons, detailing specific tasks under each function, and elaborating the process, standards and critical attributes namely knowledge, attitude, skill, habits required for effective role. Role is a position or an office a person occupies as defined by

expectations from significant persons in the organization, including the person himself. Position is the collection of tasks and responsibilities performed by one person.

COMMUNICATION POLICIES

HR Department stresses a lot on Communication aspects to be developed. Communication policies do pave way for effectiveness and efficiency.

Rewards: Rewards are the positive reinforcements given by the organization. Rewards act as effective motivators and help people to increase productivity and efficiency. Rewards include:

1. Promotion
2. Salary Review
3. Salary Administration

Importance of HRM functions:

- 1) To hire the wrong person for the job
- 2) To experience high turnover
- 3) To find our people not doing their best
- 4) To waste time with countless and useless interviews
- 5) To have our company sued for our -discriminatory actions.
- 6) To be quoted under bad example of unsafe practices
- 7) To have some of your employees think their salaries are unfair and inequitable relative to others in the organization
- 8) To allow a lack of training to undetermined your department's effectiveness
- 9) To commit any unfair labor practices

Role HR Practitioners:

The HR managers have keen role in the effective planning and implementation of the policies and decisions that in tune with the business changes. They should act as strategic partners and be proactive in their role. The HR managers should understand how far their decisions contribute to business surplus incorporating human competency and performance to the organization. Strategic HR managers need a change in their outlook from seeing themselves as relationship managers to strategic resource managers. The major HRM innovations occur when senior management takes the lead and adoption of innovative SHRM practices is dependent on the nature of relationship of the HR Department with the CEO and the line managers, the actions of the personnel practitioner in the innovation process suggests that adoption of an innovation by an organization depends largely on HR practitioners' credibility with information and resource providers. HR Department and HR managers in these innovative organizations play a strategic role linking the HR strategy with the business strategy of the organization. A crucial aspect concerning SHRM is the concepts of fit and flexibility. The degree of fit determines the human resource system's integration with organization strategy. It is the role of HR Managers to ensure this fit in between Human Resource System with the Organization Strategy.

STRUCTURE OF HR DEPARTMENT

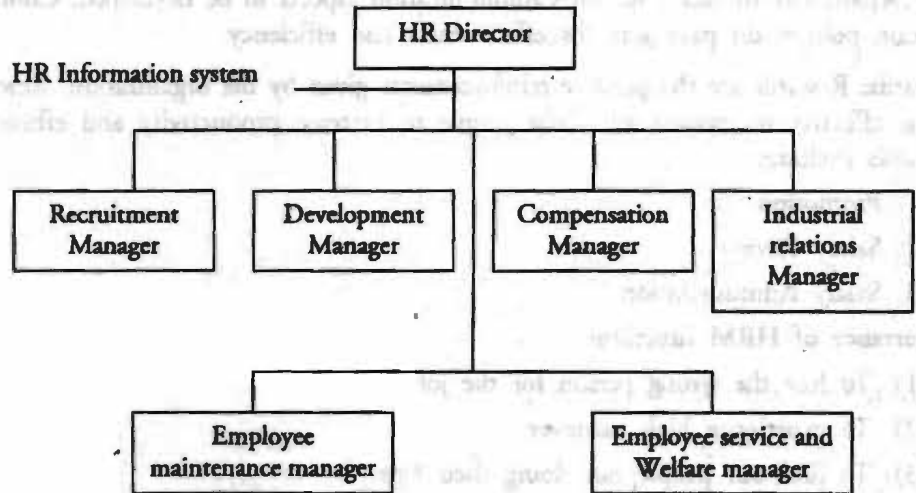
Internal structure of HR department can be designed either on the basis of its functions or the type of personnel it deals with. HR department has to be organized at the head office level as well as at all other levels. Let us see how HR department is structured on the basis of functions and people.

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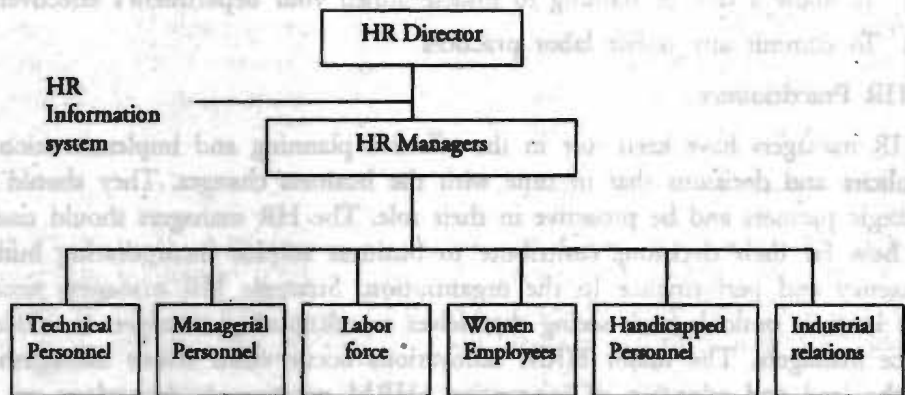
Function- oriented Structure

There are various functions which are performed by HR department like recruiting, compensating and developing human resource. Therefore, Function-oriented structure of HR department is divided as per its departments. The diagrammatic representation of function-oriented structure is shown below:



People- oriented Structure

Departmentation on the basis of various categories of people employed in the organization is known as people-oriented structure. The people may be classified as operative and managerial. This structure focuses on the fact that different categories of personnel have different types of problems and therefore, they need different types of attention. Such a structure is presented in the figure below:



Role of Human Resource Management

The role of HRM is to plan, develop, and administer policies and programmes designed to make proper use of organization's human resources. The chief functional areas in HRM are:

1. HR Acquisition
2. HR Development
3. Performance and Compensation
4. Motivation and Maintenance
5. Industrial Relations

Human Resource Acquisition

Acquisition means attainment of employees which are appropriate for the organization. It also involves certain sub-functions like HR planning, job analysis, recruitment, selection and orientation. HR planning means determination of number and types of employees required. Job analysis means the process of describing the nature

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of a job and specifying the skills and talent required to accomplish the job. Recruitment means identification of sources from where the personnel can be employed and motivating them to work in the organization. Selection means choosing the right candidates or rejecting the unfit candidates, or a combination of both. Finally orientation means, introducing a new employee to the organization and the organization to the employees by providing him relevant information.

Human Resource Development

Human resource development means developing people for better performance. This is a planned way of raising the work capabilities and competencies of the employees. There are several sub-functions of human resource development like- Career planning and development, Training and development and Organization development. Training and development comprises of providing training to the employees so as to enable them to perform a job in a better way. Organizational development is concerned with changing the overall climate and culture of organization in order to have better match between employees and organization.

Performance and Maintenance

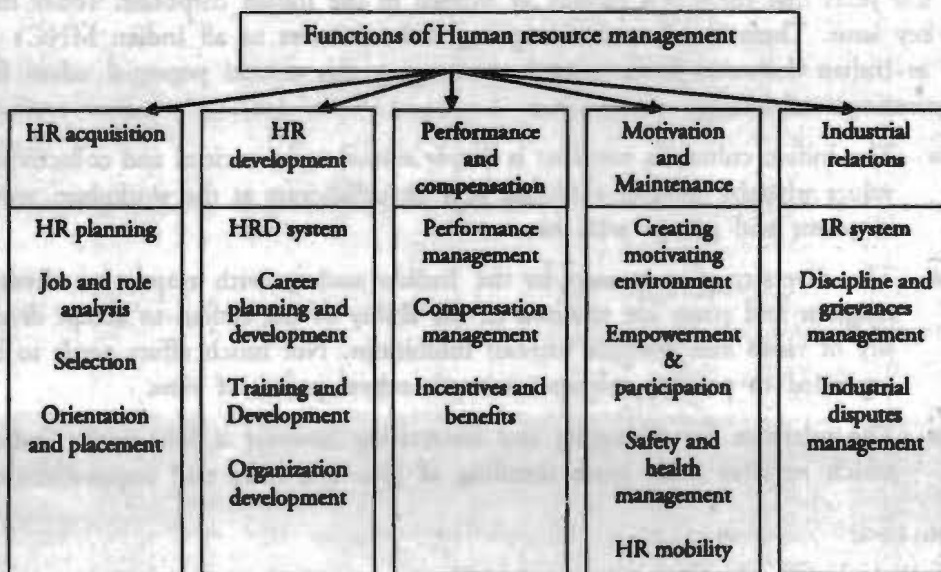
This function of HRM looks upon the performance and compensation of employees. Basically, there are three sub-functions of this function: Performance management, Compensation management and Incentives and benefits. Performance management is the process of planning performance, appraising performance, giving its feedback, and counseling an employee to improve his performance. Compensation management includes administration of fair wages and salaries to the employees. Incentives and benefits are given to employees so that their efforts get rewarded and they get motivated.

Motivation and Maintenance

This function of HRM involves creating motivational environment by HR practices like developing quality of work life, HR counseling, empowerment and participation. Other aspects like safety and health management, promotion and transfers are also included in Maintenance of employees.

Industrial relations

Industrial relations refer to complex and dynamic set of relationship which exists between the employers and employees. It involves designing of human relation system, managing discipline, redressing grievances and managing disputes between management and operatives effectively.



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HRM IN INDIA

As it stands today the Indian organization could not have hoped for more. In addition to being strategically positioned on the corporate world map as a low-cost, highly skilled destination, the Indian corporate is emerging as a base for committed, intelligent and a knowledgeable workforce. This has been achieved by the help of a strong foundation provided by the Indian education system at the primary, secondary, technical and at professional level. It is a undisputed fact that the Indian Institute of Technology, the National Institute of Technology and the famed Indian Institute of Management are among the world-class institutions to name a few. Quality education and research are encouraged on these campuses and across the country, which mould and contribute to the practices in Indian organizations.

The HRM practices in Indian organizations are a parody of sorts. There is a strong foundation that is a simple extension of the HR practices from the established western organizations and the developed countries. However there is a equally strong cultural impact on the hiring practices, compensation standards, benefits and statutory benefits, performance linked rewards and payout, which though in-step with international HRM practices have a flavor their own. We will discuss a few distinct differentiators that impact HRM practices in Indian organizations:

HRM in India however is not structurally well-researched and hence a lack of theoretical information to track and document its progress. Unlike in the emerged countries like the USA and the UK where the research networks are mature and well established. Research is yet at its infancy in India and there is a lot of dependence on the emerged countries in emulating best practices in the way people are hired and managed. Today the organizations of Indian origin have their unique HR strategies that work best for them. Work more and earn more is a common and accepted philosophy at the Indian workplace. Work is respected and revered and almost worshipped in Indian organizations. Benefits are basic yet equitable and adequate. There is a high focus on cash in hand as opposed to benefits and perks.

Our statutory and legal frameworks, as a result, are a lot more liberal and less restrictive as compared to the emerged countries. An open society drives openness at the workplace and hypocrisy is largely discouraged, leading to well structured' policies and processes that drive workplace behavior. Diversity for India is a challenge that is very different from its existence in the rest of the world. Diversity initiatives in India normally focus around challenges related to gender diversity. It's only in the past few years that there is a pattern of women in the Indian corporate. Today this is a key issue. There is a lot of strategizing and initiatives in all Indian MNC's as well as Indian domestic firms toward encouraging this critical potential talent for organizational advantage.

- The Indian culture is one that is deeply rooted in its societal and collectivism values whereby there is a natural urge to collaborate at the workplace, work in teams and groups with ease.
- The diversity that is seen in the Indian society with respect to diverse religions and states are reflected in the ability of the Indian to accept diversity of views and thought without inhibitions. Not much effort needs to be expended to practice tolerance towards others points of view.
- The tolerance for ambiguity and uncertainty however is low in the Indian which requires a lot more detailing of jobs and roles and responsibilities.

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There is need therefore to establish definite boundaries of authority and responsibility.

- Work culture-wise, the natural ability to work hard and from long hours, perseverance and the need to earn money, impacts the way of work that is organized in Indian organizations. It is not uncommon for the Indian to compromise personal time with family / friends to instead attend to work and satisfy a customer. There is an overwhelming sense of 'service' that manifests itself at the workplace.
- Availability of a large educated group of individuals of different caliber of knowledge and skill allows the country to undertake different nature of work beginning with lower skilled activities such as BPO's (Business Process Outsourcing) and moving up the value curve to far more advanced activitiesKPO's (Knowledge Process Outsourcing).
- Compensation and benefits costs continue to provide a competitive advantage for India making it a preferred business location the world over.
- There is a natural expressed need 'to belong'. This again is typical of the Indian and has brought about a significant amount of customization of the workplace and its norms to allow for cultural events and activities through the year. There is a lot more scope for socializing that exists in the Indian organizations.
- Current trend in the over populated urban part of the country are quickly fading out to tier 2 and tier 3 cities and town where the cost of living and wage levels are not as competitive, further expanding the Indian resource base for hiring and building talent, contributing to the overall gain of the country.
- A grievance management system is a common HRM function.

A CASE STUDY

Indian tech tries to retain top workers

By Jessica Mehroin Irani

At a time when most IT companies are reducing employee numbers to cut costs, tech majors such as Wipro, TCS and Infosys are re-channelizing their manpower. Sabbaticals are more common and people on the bench are being asked to undergo longer and more rigorous training programs. Wipro has asked some of its non-billable and skilled employees to move to subsidiary Wipro Infotech on the same pay package as earlier, but they will continue to be on the payrolls of Wipro Technologies.

"These are not under performers, but talented people we don't want to lose. The move to Infotech is currently for a year, and this will give them a chance to be productive," said Pratik Kumar, Wipro executive vice president of human resources. This will also help the company in sustaining high utilization rates.

The other option given to employees, who have been on the bench for over six months, is a special program which allows them to come to work for 10 days a month, at half their salary. "This allows them to take up certification programs, work on innovation projects and help in creating question banks for domain specific internal tests," said Kumar. "Once we see an opening for them on a project, we will transfer them immediately."

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TCS has also put its benched employees on high-end training programs in areas such as enterprise resource planning, business intelligence and analytics. "We are building a larger skill set as we would like to be ready when the demand picks up," said a TCS spokesperson. The IT Company has also invited its employees to write research papers on technology that can be used by the company.

Reducing employee numbers for saving costs is a short-term solution, said Nandita Gurjar, head of global HR at Infosys. "When demand picks up, we'll be hiring skill pools at a higher cost; there will also be the cost of extra training. Weed out non-performers, but retain talent even if they are not being utilized currently."

While Infosys has said that 50 employees, at any given point of time, can take a year off and work for an NGO at half their salaries, its peer Wipro has introduced project rejuvenate where employees, across all levels, can take a year-long sabbatical and pursue their hobbies.

This is not restricted to those on the bench, but also for those working on projects. Even though these people are asked to take a pay cut, it does not matter.

"As long as you get to keep your job and do fun things to de-stress, a pay cut doesn't matter," said a Wipro employee.

Planning is considered as the first step for task performance. Whenever there is some work that needs to be done, at home or at work, the first thing you do is to plan out. For example if you want to build a custom-fit cupboard for a available space in your bedroom you would seek recommendations from your friends for good carpenters in the neighborhood, evaluate them per your requirements, agree on time and cost and assign the task to them. Similar is the role of the Human Resource Planning activity in the human resources function. It is the first, most important and crucial step in building and growing an organization.

Through human resource planning, the management strives to have the right number and the right kinds of people at the right places, at the right time, to do things which result in both the organization and the individual receiving the maximum long-range benefit. Human resource Planning (HRP) constitutes the significant first step in planning for the human resources requirements of the firm. It is an extremely important step and is closely linked to the business plan of the organizations. Organization in different stages of their life cycle will have a different HR Plan.

Questions for case study:

- 1) What techniques are applied by different major tech companies to retain their top workers?
- 2) Write a brief summary after reading this case study of retaining employees.

SUMMARY

- The traditional functions of HRM now need to be strategically directed towards developing and sustaining organizational capabilities, through activities that overlap with traditional business functions such as finance, marketing, and non-traditional activities, such as knowledge management.
- Human Resource Information System has great significance in every sector. It can play a virtual role and help the communications process in the organization. Most importantly, organizations can hire and retain the top performers, improve productivity and enhance job satisfaction of the employees.

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- HRM has the responsibility to maximize efficiency and profit, but in the emerging scenario, the role of HR manager is changing rapidly due to changes in government policies, unions, labour legislations and technology. The trends have taken place in the organization, human resource planning, job design, motivation, recruitment, and skill development and employee relations. The challenges can be faced by HRM effectively, if proper strategies are implemented. Hence, the role of HRM will be more significant in future due to the emerging scenario.

ANSWERS TO 'CHECK YOUR PROGRESS'

1. Human Resource Management is a series of integrated decisions that form the employment relationships; their quality contributors to the ability of the organizations and the employees to achieve objectives.
2. QWL is multidimensional concept. The principle of quality of work life is having work environment where an employee's activities become more important.
3. Objectives of HRM are:-
 - To be ethically and socially responsible to the needs and challenges of society.
 - To maintain department's contribution at a level appropriate to organizational needs.
 - To assist employees in achieving their personal as well as organizational goals.
4. Career planning involves identifying the right potential well in time, for development to take over higher responsibilities.
5. Job analysis is the process of studying and collecting department information relating to operations and responsibilities of a specific job.

TEST YOURSELF

1. Discuss evolution of the Human Resource Management?
2. Explain the concepts and perspectives of HRM.
3. What are the various approaches of HRM?
4. What are the objectives of Human Resource Management?
5. Explain the importance of HRM.
6. What are the areas of Human Resource?
7. Explain the responsibilities of HRM department.
8. What is the structure of HR Department?
9. What is the role of Human Resource Management?
10. Briefly describe the role of HRM in India.

FURTHER READING

- *Human Resource Management: Gary Dessler*
- *Human Resource Management: L. M. Prasad*

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[The content of this section is extremely faint and illegible, appearing to be a series of lines of text or a list of notes.]

The Chapter Covers :

- Meaning and Definition of Strategy
- Human Resource Planning
- Objectives of Human Resource Planning
- Factors Affecting Human Resource Planning
- Steps in Human Resource Planning
- HR Planning Process
- Uses of HRP
- Problems or Limitations in Human Resource Planning
- Guidelines for making Human Resource Planning more effective

Learning Objectives:

After going through this chapter, you should be able to:

- Define Strategy and Human Resource Planning.
- Comprehend Features, Objectives, Factors, Significance, Steps and Need of Human Resource Planning.
- Understand HR Planning Process.

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INTRODUCTION

The penalties for not being correctly staffed are costly. Understaffing loses the business economies of scale and specialization, orders, customers and profits. Overstaffing is wasteful and expensive, if sustained, and it is costly to eliminate because of modern legislation in respect of redundancy payments, consultation, minimum periods of notice, etc. Therefore human resource planning is very important for any organization.

MEANING AND DEFINITION OF STRATEGY

The term 'strategy' is derived from the Greek word strategies, which means-generalship the actual direction of military force, as distinct from the policy governing its development. Therefore the work 'strategy' literally means the art of the general. In business parlance, there is no definite meaning assigned to strategy. It is often-used loosely to mean a number of things.

The term "strategy" has been found to be equally useful in the business world. In the business sense strategy has been defined in many ways. There does not seem to be unanimity among the scholars regarding its scope and content.

In a broader sense, strategy is defined as the determination of the basic long-term objectives and goals of an enterprise and the formulation of plans and the acquisitions, allocation and utilization of resources necessary to accomplish these goals.

According to Alfred D. Chandler, "Strategy is the determination of the basic long-term purpose and objectives of enterprises and the adoption of courses of action and allocation of resources necessary for carrying out these goals." George A. Steiner, "Strategy means deciding the basic mission of a company, the objectives which it seeks to achieve and the policies governing the use of resources at the disposal of the firm to achieve its objectives."

According to Kenneth R. Andrews, "Corporate strategy is the pattern of major objectives, purposes or goals and essential policies and plans of or achieving those goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be".

According to R.N. Anthony, "Strategy results from the process of deciding on objectives of the organization, on changes in these objectives, on the resources used to attain these objectives, and on the policies that are to govern acquisition, use and disposition of these resources".

Examples: The concept of strategy can be best explained with the help of examples as given below:

- (1) Rollatainers, after divesting a major stake in ITC, is contemplating an expansion strategy. The combined turnover of Rollatainers and ITC's packaging division, which is Rs. 500 Crore at present, is likely to touch Rs. 1000 Crore in the next 5 years.
- (2) Singer India, which has been associated with, sewing machines; is entering the white goods and color television market as part of its diversification strategy.
- (3) Kotak Mahindra Finance Ltd. is a major non-banking finance company (NBFC) that has experienced low profitability owing to the various problems faced by the NBFCs in India. It is planning to adopt a divestment strategy in wholesale corporate lending and focusing on new growth areas, such as wealth management, retail insurance, and information services.

Elements of a Strategy

Any coherent strategy should have four important elements :

1. **Goals:** A strategy invariably indicates the long-term goals toward which all efforts are directed. Such enduring goals help employees give their best in a unified manner and enable the firm to specify its competitive position very clearly to its rivals.
2. **Scope:** A strategy defines the scope of the firm that is, the kind of products the firm will offer, the markets (geographies, technologies, processes) it will pursue and the broad areas of activity it will undertake. It will, at the same time, throw light on the activities the firm will not undertake.
3. **Competitive Advantage:** A strategy also contains a clear statement of what competitive advantages the firm will pursue and sustain. Competitive advantage arises when a firm is able to perform an activity that is distinct or different from that of its rivals.
4. **Logic:** This is the most important element of strategy. For example, a firm's strategy is to dominate the market for inexpensive detergents by being the low-cost, mass-market producer. Here the goal is to dominate the detergent market. The scope is to produce low-cost detergent power for the Indian mass market. The competitive advantage is the firm's low cost. Yet this example does not explain why this strategy will work. Why the firm will get ahead of others by limiting its scope and by being the low cost producer (competitive advantage) in the detergent industry. The 'why' is the logic of the strategy.

Corporate and Business Strategy:

Corporate strategy refers to decisions on what business to enter, what businesses to retain in the portfolio and those to exit from. It specifically directs attention at how the corporate office can add value to the diverse businesses in the portfolio so that their value as a part of the corporation exceeds the value they would have as free-standing businesses.

Business strategy focuses on achieving competitive advantage on a sustained basis. There are two generic routes to competitive advantage - through being the lowest cost producer, or through differentiation and a price premium. The four generic building blocks of building competitive advantage are superior efficiency, superior quality; superior customer responsiveness and superior innovation. Companies achieve these drivers of competitive advantage through the creation of distinctive competencies. Distinctive competencies are built through resources and capabilities. Most resources are created by deliberate actions by the organization. This is true of tangible resources like buildings, plant and machinery, as well as intangibles such as brands, patents and technological know-how. Capabilities are a company's skill at coordinating its resources and using them productively. These capabilities get embedded in an organization's routines and processes. By their very nature, capabilities are more difficult to copy or imitate as they are, often the result of a complex interaction between the structure, systems and Values of an organization. Though it is sometimes difficult to explain post facto how exactly a capability was created, or for an organization to re-trace the path traversed by another organization that enabled the latter to create certain capabilities, it is possible for an organization to take deliberate actions to create capabilities. The deliberate actions taken to create resources and capabilities spring from the functional strategies adopted by an organi-

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HUMAN RESOURCE PLANNING

Human Resource Planning has traditionally been used by organizations to ensure that the right person is in the right job at the right time. Under past conditions of relative environmental certainty & stability, Human Resource Planning focused on the short-term and was dictated largely by line management concerns. Increasing environmental instability, demographic shifts, changes in technology, and heightened international competition are changing the need for and the nature of Human Resource Planning. In leading organizations, planning is increasingly the product of the interaction between line management and planners.

In addition, organizations are realizing that in order to adequately address human resource concerns, they must develop long-term as well as short-term solutions. As human resource planners involve themselves in more programmes to serve the needs of the business and even influence the direction of the business, they face new and increased responsibilities and challenges.

In an early treatment of the topic, Vetter (1967) defined Human Resource Planning as the process by which management determines how the organization 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 result in both the organization and the individual receiving maximum long-run benefits.

Contemporary human resource planning occurs within the broad context of organizational and strategic business planning. It involves forecasting the organization's future human resource needs and planning for how these needs will be met. It includes establishing programmes (staffing, appraising, compensating, and training) to ensure that people are available with the appropriate characteristics and skills when and where the organization needs them. It may also involve developing and implementing program to improve employee satisfaction and involvement in order to boost organizational productivity, quality, or innovation (Mills, 1985 b). Finally, Human Resource Planning includes gathering data that can be used to evaluate the effectiveness of ongoing programmes and inform planners when revisions in their forecasts and programmes are needed. Because a major objective of planning is facilitating an organization's effectiveness, it must be integrated with the organizations short-term and longer term business objectives and plans. Increasingly this is being done in leading organizations, although in the past, business needs usually defined personnel needs and Human Resource Planning, which meant that planning, became a reactive process. The reactive nature of the process went hand in hand with a short-term orientation. Now, major changes in business, economic, and social environments are creating uncertainties that are forcing organizations to integrate business planning with Human Resource Planning and to adopt a longer term perspective.

Meaning of Human Resource Planning

Planning is deciding in advance of the future course of action. It is the process of thinking before doing. It is a very important activity in today's scenario. Planning as a process involves the determination of future course of action. In terms of Human Resource, planning is a process of forecasting manpower needs, developing appropriate policies and programmes for meeting those needs and controlling these programmes. HRP is, therefore, acquiring and allocating the desired human re-

sources in the organization. HRP involves knowing in advance the staffing needs of the organization, considering the supply of the relevant workers in the organization, and finding ways to fulfill the staffing needs of the organization.

The concept of human resources planning is of recent origin. Only after World War II, Human Resource Planning has been given a serious thought. The rapid development of the industrially advanced countries and the rise in the standard of living in these countries have their roots in the Human Resource Planning that considers its importance, many large and progressive companies have established special departments to look after Human Resource Planning function in their respective organizations.

In the industrially advanced countries, the development of the training to human resource is given much more importance than the development of material resources. The economical and efficient use of material resources depends upon the existing human resource. The systematic development of skills and capabilities of the personnel available in an organization proves to be much useful in developing the unit.

Human Resource Planning is directly related to the quality of the product, the market demand for the same and the type and level of skill necessary to produce a product required by the general consumer in the area of operation of an enterprise. It is also necessary for human resource planner to assess human resource requirements in the above context and also to project the future need in relation to the development and expansion plan of a given enterprise.

According to Quoting Mondy-

"HR Planning is a systematic analysis of HR needs in order to ensure that correct numbers of employees with the necessary skills are available when they are required".

"Human resource planning includes the estimation of how many qualified people are necessary to carry out the assigned activities, how many people will be available, and what if anything must be done to ensure that personnel supply equal personnel demands at the appropriate point in the future."

"Specifically human resource planning is the process by which an organization ensures that it has the right number and kind of people, at the right place, at the right time, capable of effectively and efficiently completing those tasks will help the organization achieve its overall objectives."

"Human resource planning translates the organizations objectives and plan's into the number of worker's need to meet those objectives without a clear cut planning, estimation of an organization human resource need is replace to mere guess work."

The actual human resource process begun with estimation of the number and the type of people needed during the period. After this, only people can be hired to fill the jobs. This all called human resource planning. This is the most crucial step in the overall human resource management process.

- 1) In simple word's human resource planning is the process of forecasting an organization's future demand of human resource. From it will be supplied. The right type of people in the right number.
- 2) After this human resource management department can initiate the process of recruitment and selection. Human resource planning is the sub-system in the total organization planning.

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Check Your Progress

1. What do you mean by corporate strategy?
2. Define Human Resource Planning?

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- 3) Organizational planning includes managerial activities that sets the company objectives for the future and determine the appropriate means for achieving those objectives.
- 4) Human resource planning facilitates the realization of the company objectives by providing the right type and the right number of personal.
- 5) Human resource planning is also compared to material planning that estimate the type and quality of materials and supplies need to facilitate the manufacturing activities of the organization.
- 6) Human resource planning variously called manpower planning, personal planning and employment planning.

Human Resource Planner has to consider the following factors while planning for the human resource requirements:

- (a) Stage of economic development
- (b) Bends in expansion of demand for various commodities and services.
- (c) Capacity to generate additional resources.
- (d) Level of technological development and
- (e) Type of personnel available in a given region.

Human Resource Planning flows from the setting up of organizational goals, are again dependent on technology, quality of raw material, quality of manpower available, market demand for the goods and services produced and the availability of infrastructure of these variables, except the manpower, all others are given for every region which can be developed over a period of time. These areas can be developed by the government as well as other institutions. But the development of human resource can be done by the concerned organization itself only. The concerned organization can recruit suitable persons from the open market, send them for training to any suitable training institution in the country.

Human Resource Planning process is not a simple process but a very complex process at the unit level also. The human resource planner has to consider several questions, e.g., number of employees required, the different categories for which they are required with number for each category, the rates of wages for various categories, skills and capabilities required for different jobs, availability of human resource from various sources, estimated demand of human resource which may arise due to death, retirement, promotions, resignations, keeping the human resources from various sources, estimated of human resource which may arise due to death, retirement, promotions, resignations for personal reasons dismissals, etc., training to the personnel in the organization, keeping the human resource inventory etc. It is obvious that a business could not prosper, if the right number of employees, having required skills and capabilities, are not available to it. In absence of proper Human Resource Planning, the organization may have insufficient number of people with it or excess human resources than necessary. In the first case, the output will be affected and in the second case the expenditure of the firm will increase without any increase in production.

Human Resource Planning is done with the two main objectives in mind—firstly to utilize the present employees fully and secondly to meet successfully the future manpower needs, in terms of skills, number, age etc. The fulfillment of the two objectives is highly necessary for the success of any business so there would not be any exaggeration, if we say that Human Resource Planning is an inevitable requirement for every business unit.

FEATURES OF HUMAN RESOURCE PLANNING

Based on the above discussion of HRP, following features of HRP may be identified:

1. HRP is a process

HRP undergoes various aspects like forecasting, inventorying, anticipating and planning. Hence, it is a series of steps to be followed under a process.

2. Determination of future needs

HRP involves determination of future needs of manpower from the view point of organizational structure. It means that an organization has to look over the anticipated requirements of manpower at various levels.

3. Arrange manpower availability

It also takes into account the manpower availability at future period in the organization. It indicates that what actions can be taken to make existing manpower suitable for managerial positions or what can be done to acquire new persons to fill this gap.

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OBJECTIVES OF HUMAN RESOURCE PLANNING

- 1) To ensure optimum use of existing human resource.
- 2) To forecast future requirements for human resource.
- 3) To link human resource planning with organizational planning
- 4) To assess the surplus and shortage of human resource.
- 5) To determine the level of requirement of training.
- 6) To estimate the cost of human resource and housing needs of employee.
- 7) To provide a basis for management development programme.
- 8) To facilitate productivity bargaining.
- 9) To provide control measures to ensure that necessary human resource available as and when required.
- 10) To anticipate the impact of technology on jobs and human resources.

FACTORS AFFECTING HUMAN RESOURCE PLANNING

- Type and strategy of organization.
- Organizational growth cycle and planning.
- Environmental uncertainties.
- Time horizons.
- Type and quality of forecasting information.
- Nature of job being filled.
- Off-loading the work.

Type and Strategy of Organization

This factor effects the organization. Human resource planning will be influenced with the type of organization either it is manufacturing or rendering services. Manufacturing concern will require more workers to complete the manufacturing activities. The strategy of organization will also affect acquisition, merger etc. will affect the human resource either need or termination of human resource. Human resource planning also effect by organization decisions like either they are proactive and reactive.

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Organizational Growth Cycle and Planning

The stage of an organization growth can have considerable influence on human resource planning. Small organization may not have personnel planning. Planning will be need when the organization enters the growth stage. A mature organization experiences less flexibility and variable, they need Human resource planning as the work force will become old so new young people be hired. At the decline stage Human resource planning takes will different focus like layoffs, retrenchment and retirement.

Environmental Uncertainties

Human resource manager rarely have the privilege to operate in certain environment. All the external forces and the internal forces of the organization affect the human resource planning. Human resource manger has to deal with environmental uncertainties carefully and formulate their policy efficiently regarding recruitment, selection, training, retrenchment etc.

Time Horizons

It also affect the personnel planning on one hand there are short term's plane time spanning 6 months to 1 year and on other hand long term plan's whose time span is 3 to 20 years. The companies which are depending on short term plans- more uncertainty. The companies depend on long term plans - certainty is there.

Type and Quality of Information

The human resource planning will be effected by type of information. It means that planning about human resource. It is necessary for human resource manager to know about information which effect the planning like organization structure, product mix, budget, marketing etc. with these information human resource planning will be effected in these areas like job analysis, retrenchment plan's, turnover data, retrenchment sources, training and development programme etc.

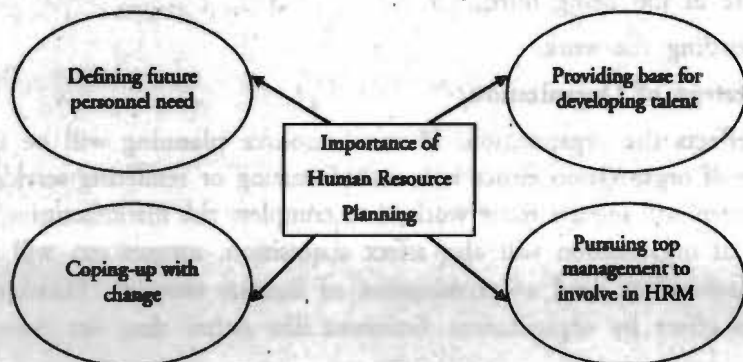
Nature of jobs being filled

Personnel planners must consider the nature of jobs being filled in the organization. Job vacancies arise because of separation, promotion and the expansion strategies. It is easy to employee shop-floor worker but managers require lot of sourcing for the requirement of managerial personnel.

Off-Loading the Work

Several organizations off-load part of their work to outside parties either in the firm of sub-contracting. Off-loading is a regular feature both in public as well as private sector. Most organizations have surplus labor and they do not want to the problem by hiring more people. Hence, the need of off-loading will be arises.

SIGNIFICANCE OF HUMAN RESOURCE PLANN



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- 1) **Defining future personnel needs** : HR planning is most important because it helps in defining the future manpower needs of the organization. It helps in getting a match between personnel actually needed and personnel available to the organization. If there is lack of systematic HRP, then this might result into either overstaffing or understaffing of employees.
- 2) **Coping-up with change** : In current scenario, sudden and fast changes are occurring in Indian and international business scenes. Such changes are taking place due to liberalization or increased global competition. Hence, all organizations are trying to compete through technology and managerial talents available with them. HRP helps in attaining such worthy and valuable employees to the organization in order to resist such competition.
- 3) **Providing base for developing talents** : HRP helps in providing base for developing the talents of the employees of an organization. This is done by emphasizing focus on the knowledge of employees and making them capable to work in any kind of situation.
- 4) **Perusing top management to involve in HRM** : An organized HRP system attracts management's attention over all of the HRM functions. This enables the development of human resource in the most effective way and hence leads the organization to achieve its objectives most efficiently.

STEPS IN HUMAN RESOURCE PLANNING:

The Human Resource Planning process consists of a set of activities, viz.

- a) Forecasting manpower requirements, either by using mathematical tools to project trends in the economic environment and development in industry, or in by using simple judgmental estimates based on the specific future business plans of the company;
- b) Creating an inventory of present manpower resources and assessing the extent to which these resources are employed/ optimally;
- c) Identifying manpower problems by projecting present resources into the future to determine their adequacy, both quantitatively and qualitatively; and
- d) Planning the necessary programmes of requirement selection, training, development, utilization, transfer, promotion, motivation and compensation to ensure that future manpower requirements are properly met.

Thus, it will be noted that 'manpower planning consists in projecting future manpower requirements and developing manpower plans for the implementation of the projections'.

NEED FOR HUMAN RESOURCE PLANNING

Human Resource Planning is a mandatory part of every organization's annual planning process. Every organization that plans for its business goals for the year also plans for how it will go about achieving them, and therein the planning for the human resource:

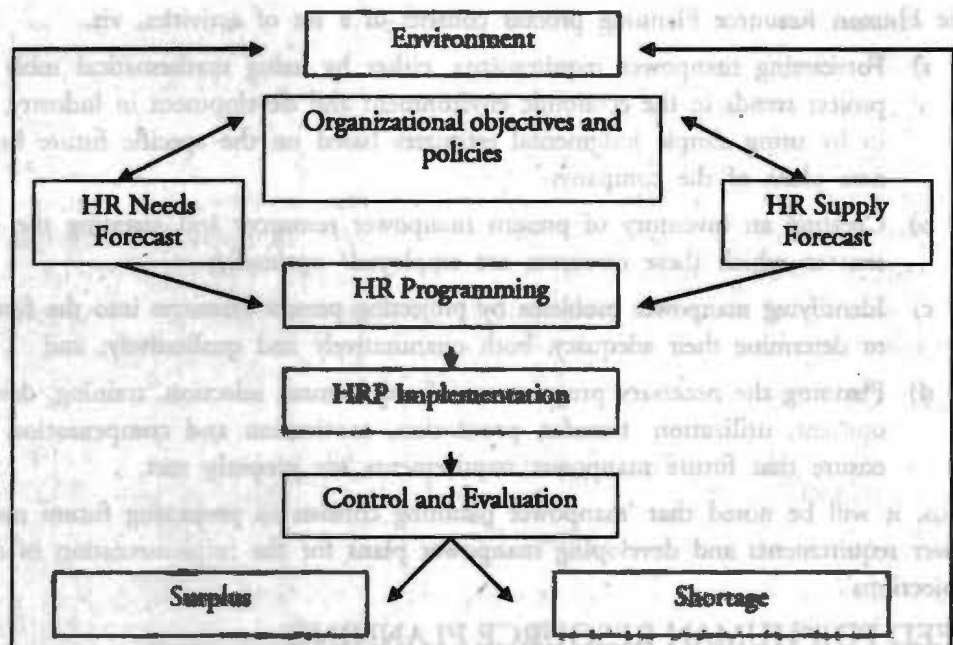
1. To carry on its work, each organization needs competent staff with the necessary qualifications, skills, knowledge, work experience and aptitude for work.
2. Since employees exit and organization both naturally (as a result of superannuation) and unnaturally (as a result of resignation), there is an on-going

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need for hiring replacement staff to augment employee exit. Otherwise, work would be impacted.

3. In order to meet the need for more employees due to organizational growth and expansion, this in turn calls for larger quantities of the same goods and services as well as new goods. This growth could be rapid or gradual depending on the nature of the business, its competitors, its position in the market and the general economy.
4. Often organizations might need to replace the nature of the present workforce as a result of its changing needs, therefore the need to hire new set of employees. To meet the challenge of the changed needs of technology / product/service innovation the existing employees need to be trained or new skill sets induced into the organization.
5. Manpower planning is also needed in order to identify an organizations need to reduce its workforce. In situations where the organization is faced with severe revenue and growth limitations it might need to plan well to manage how it will reduce its workforce. Options such as redeployment and outplacement can be planned for and executed properly.

HR PLANNING PROCESS:



Let us discuss the steps of HR planning process in detail:

1) Environment :

An organization operates within its relevant environment. Environment comprises of all the conditions, circumstances, and influences surrounding and affecting an organization. Environmental factors can be classified as Economic environment, Legal environment, Technological environment, Socio-cultural environment.

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2) Organizational objectives and policies :

HR plans should be based on organizational objectives. Specific requirements in terms of numbers and characteristics of employees must be derived from organizational objectives.

3) HR need or demand forecast :

Third step is the process of estimating the future quantity and quality of people required. The basis of forecast will be annual budget and long term corporate plans. Demand forecasting must consider several factors like Internal (Budget constraints, employee separations, production level etc.) & External (Competition, laws, change in technology etc).

4) HR Supply forecasting :

It determines whether the HR department will be able to acquire the required number of workers. Specifically supply forecasting measures the number of people likely to be available from within or outside an organization.

5) HR Programming :

Once the Organization's HR need and supply are forecast, then vacancies can be filled by acquiring the right employee at the right time.

6) HR Plan Implementation :

Implementation requires converting an HR plan into action. (Example: Recruitment, Training, etc.)

7) Control and evaluation :

Controlling is the process of checking the errors and taking the most appropriate corrective action. It helps in managing the surplus or shortage of manpower in an organization. In case of surplus staffing controlling can be done through restricting hiring, reducing working hours (VRS, lay off etc) and if it is a case of shortage of manpower then controlling can be done through recruitment and selection.

USES OF HRP:

1. Match Human resources related activities and future organization objectives efficiently.
2. Achieve economic in hiring new workers.
3. Expand the human resource management information base to assist other human resources activities and other organizational units.
4. Make major demands on local labor markets successfully.
5. Co-ordination different human resources management programs such as employment equity plans and hiring needs.

BARRIERS TO HRP:

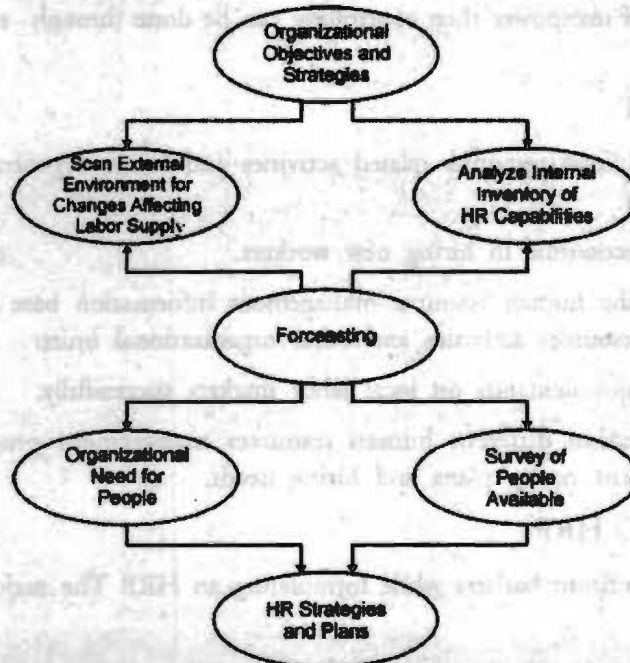
Planners face significant barriers while formulating an HRP. The major ones are the following:

- a) People question the importance of making HR practices future oriented and the role assigned to HR practitioners in formulation of organizational strat-

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egies. Their argument is simple there are people when needed. Offer attractive package of benefits to them to quit when you find them in surplus.

- b) HR practitioners are perceived as experts in handling personnel matter, but are not experts in managing business. The personnel plan conceived and formulated by the HR practitioners when enmeshed with organizational plan, might make the overall strategic plan itself defective.
- c) HR information often is incompatible with the information used in strategy formulation. Strategic planning efforts have long been oriented towards financial forecasting often to the exclusion of other types of information.
- d) Conflicting may exist between short-term and long-term HR needs. For example, there arises a conflict between the pressure to get work done on time and long-term needs, such as preparing people for assuming greater responsibilities. Many managers are of the belief that HR needs can be met immediately because skills are available on the market as long as wages and salaries are competitive. These managers fail to recognize that by resorting to hiring or promoting depending on short-term needs alone, long-term issues are neglected.
- e) There is conflict between quantitative and qualitative approach to HRP. Some people view HRP as a number game designed to track the flow of people across the departments. These people a strictly quantitative approach to planning. Others take a qualitative approach and focus on individual employee concerns such as promotable and career development.
- f) Non-involvement of operating managers renders HRP ineffective. HRP is not strictly and HR department function. Successful planning needs a coordinated effort on the part of operating managers and HR personnel.



PROBLEMS OF HUMAN RESOURCE PLANNING

(1) Estimating Manpower Requirement

Methods of Estimating Manpower Needs

There are two important methods for estimating manpower needs. They are:

- (A) Workload analysis
- (B) Workforce analysis

(a) Workload Analysis

Workload analysis is important to estimate how much manpower would be required to manufacture one unit. To determine the quantity of production, sale is estimated first, estimate would also be made as to how much each department will have to work to achieve the decided level of production. The work of each department is transformed to manpower. Skills required by each department would also be decided. The number of personnel of different type required in various departments would also be estimated from the man hours necessary for the production.

Similarly, estimates are put for all the departments such as production, marketing, finance, etc. suppose there is a department in which 18000 units are to be produced in a month. Production of each unit requires 0.10 man hours. So, 1800 man-hours would be required for the month. Suppose an employee works for 180 hours in a month. It means that the manpower requirement of the department for a month would be 10 persons. But in practice, lot of factors is required to be considered. This method may work for long term manpower planning. Here workforce analysis becomes useful.

(b) Workforce Analysis

In the workload analysis we have considered 10 employees adequate, but the factors such as labor turnover, absenteeism etc. have been ignored by us in the analysis. If we consider these factors, we would find that 10 workers are not adequate to achieve the production target. Work force analysis takes care of the two factors.

(i) **Absenteeism:** When an employee does not come on work, even if he is expected to come, he is said to be absent. According to encyclopedia of social sciences absenteeism is the time lost in industrial establishments by the avoidable an unavoidable absence of employees.

For calculating the rate of absenteeism, therefore, two facts are required: the number of persons scheduled to work and the number actually present. Thus, the rate is index of absenteeism may be expressed in the followed formula:

$$\frac{\text{Man shifts lost in hours}}{\text{Total Man shift scheduled to work in hrs}} \times 100$$

Ordinarily, it is the 'severity rate' of absenteeism, as calculated above, that is taken into consideration in practice. Besides, we may look at absenteeism in terms of its 'frequency rate' according to which any absence of a

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workman over a continuous period of day is taken as one absence. A worker who is absent for a number of successive days in a given period will be taken as absent once as against another worker who remains absent for the same number of days in total but throughout the period rather in succession. The problem of absenteeism is more serious in the second case than in the first one and, therefore, frequency rate is regarded as the better yardstick than the severity rate.

The manpower planner should mind the rate of absenteeism and then only precede to forecasting manpower needs of a company. If the rate rises above certain proportion, it damages the company even if wages are not paid for the absences. The high rate of absenteeism would restrict the working schedule prepared by the management. In such a situation management should inquire into the causes of absence and accordingly take necessary steps to reduce the rate of absenteeism.

- (ii) **Labour turnover:** The replacement of new recruits in place of old employees is labour turnover. It signifies the stability or otherwise of the workforce. This stability and instability should be taken in to account by the manpower planner before forecasting manpower needs of a company.

There are different formulas for imputing labour turnover; labour turnover may be computed in various ways.

- (a) According to total replacement expressed by the formula

$$T = \frac{R}{W} \times 100$$

where R is total replacements and W is average working force.

- (b) According to total avoidable separations like quits, discharges, etc. expressed or

$$T = \frac{S - U}{W} \times 100$$

where S stands for separations, U stands for unavoidable separations (R e t i r e e m e n t s , deaths, etc.) and W is average working force.

(2) Recruitment and Selection

Recruitment is essentially a process to discover sources to obtain manpower and to employ effective measures for contacting these employees, which will be forming an efficient workforce. The recruitment process involves five different elements, which include;

- (a) a recruitment policy
- (b) a recruiting organization
- (c) a forecast of manpower requirements
- (d) the development of manpower sources, and

(e) techniques for utilizing these sources.

The process of selection involves placement in effective positions. The selection process depends upon effective job analysis and differential recruitment and placement. The selection process involves usually seven steps.

- (a) Preliminary screening of applications.
- (b) Review of application forms
- (c) Physical examination
- (d) Checking references
- (e) Psychological testing
- (f) Interview and
- (g) Internal promotion programmes

(3) Induction and Development

The term "Induction" means installation or initiation. The new recruit is installed into a position or job, and initiated into the team that makes up the workforce of the organization. Induction is the process of introducing new recruits to an organization and explaining their role within it. It usually begins with a guided tour of the building etc. Induction is important because impression gained by new employees during this period can influence their perception of the organization for many years to come.

Once the employee gets his orientation to the organization, posting the person to the right place wherein he/she would be most suitable is referred to as deployment. The skills, responsibility, ability to work in a team and such other qualities of individuals are important considerations in the deployment of staff. If deployment of personnel were not done carefully, serious problems of conflicts would arise in the organizations.

(4) Personnel Development

In India, libraries and information centers are operating as constituent parts of various institutional complexes like R & D establishment, universities, government departments and others, and therefore are largely conditional and controlled by personnel policies and plans of the parent organizations. To achieve the organizational objectives, targets of growth and development, the human resource development of an organization has to make a plan to get the best out of its carefully selected employee's.

The various personnel development programmes are:

- (a) Performance appraisal of staff;
- (b) Training and development;
- (c) Changing perspectives and attitudes;
- (d) Communication.

(5) Ensuring quality to products and services

Quality circles are small groups of employees who normally work together, meeting regularly to agree upon ways of improving quality, productivity, etc.

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There are international standards available to maintain quality in library and information centers. In India, for example using CCF format for creation of database will ensure a standard for data exchange. This in turn helps us in providing quality service in networking environment.

(6) Overall assessment & performance & fine tuning

Planning is not just a one-time exercise. It is a continuing effort to judge its effectiveness in the actual implementation process. While executing a plan, in course of time, it may undergo changes, due to various problems that had not been anticipated while preparing a plan. In practical implementation of the plan, the plan may require modification. Therefore, plan efficacy in terms of result achieved should be assessed at periodical intervals. This type of evaluation would identify the strength and weakness of the plan. The weak portion of the plan has to be revised. The type of assessment would permit returning of the plan to ensure success.

CASE STUDY - How HRP helped turn round a disaster for Heathrow Express

On Friday, 21 October 1994, three parallel tunnels being constructed as part of the Heathrow Express link collapsed. This led to a huge increase in the cost of the project, a Health and Safety Inspectorate successful prosecution and a long delay in the project. Rather than blame each other for this disaster, British Airports Authority (the developer) and Balfour Beatty (the contractor) set up a 'solutions team'. Initially this was to examine technical problems but it led quickly to a £1 million staff development programme being set up. The emphasis at the earliest stage was to encourage all the staff to forget their differences and difficulties, and work together as one team rather than two suspicious warring factions. The plan was put into place not just as a routine training exercise but to help change the culture and way of working in the light of the severe difficulties.

This programme included a series of strategy workshops involving managers of both companies, extensive training in managing people skills for supervisors and a monthly information exchange meeting with groups involving suppliers. The latter meetings fostered an atmosphere of openness and supported the way the two main companies worked together. The front line training sessions took place as close as possible to the tunneling sites. A number of 'champions' were identified - people who volunteered to take an active role in influencing the single-team culture and in leading discussion groups. They benefited from a personal development programme and were instrumental in deepening the culture change. Despite initial cynicism, most of the staff came to approve of and support the culture change. In turn the two companies made every effort to meet the immediate needs and requests of the staff if they co-operated with the programme.

BAA estimated that the single-team approach made a saving of at least £1.5 million, chiefly from non-duplication of roles between the two organizations but also from the way staff approached the management of people and the problem-solving techniques learnt on the development courses. The programme won the 1997 People Management Award.

QUESTIONS:

1. Discuss the case in detail with SWOT analysis?
2. What is your opinion reading the subject of the case?

SUMMARY

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- Human Resource Planning as the process by which management determines how the organization 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 result in both the organization and the individual receiving maximum long-run benefits.
- Human Resource Planning is directly related to the quality of the product, the market demand for the same and the type and level of skill necessary to produce a product required by the general consumer in the area of operation of an enterprise. It is also necessary for human resource planner to assess human resource requirements in the above context and also to project the future need in relation to the development and expansion plan of a given enterprise.
- Human Resource Planning is directly related to the quality of the product, the market demand for the same and the type and level of skill necessary to produce a product required by the general consumer in the area of operation of an enterprise.
- When an employee does not come on work, even if he is expected to come, he is said to be absent.

ANSWERS TO 'CHECK YOUR PROGRESS'

1. Corporate Strategy determines the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.
2. Human Resource Planning includes the estimation of how many qualified people are necessary to carry out the assigned activities, how many people will be available, and what, if anything must be done to ensure that personnel supply equals personnel demand at the appropriate point in the future.

TEST YOURSELF

- 1) What is human resource planning? Identify its objectives and role in Human Resource Management.
- 2) What are the factors affecting human resource planning?
- 3) Why human resource planning is needed in the organization?
- 4) What are the effective barriers of human resource planning?
- 5) Explain the process of human resource planning.

FURTHER READING

- *HRM: John Sterdwick*
- *Human Resource Management: L. M. Prasad*

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The text discusses the importance of human resource management in an organization. It highlights the role of HRM in ensuring that the organization has the right people in the right places at the right time. The text also mentions that HRM is a strategic function that is essential for the success of any organization.

Human Resource Planning is directly related to the quality of the product. The text explains that HRM is responsible for the selection, training, and development of employees. It also mentions that HRM is a key factor in determining the organization's ability to meet the needs of its customers.

Human Resource Planning is directly related to the quality of the product. The text explains that HRM is responsible for the selection, training, and development of employees. It also mentions that HRM is a key factor in determining the organization's ability to meet the needs of its customers.

QUESTIONS TO CHECK YOUR PROGRESS

1. Define the term Human Resource Planning.
2. Explain the importance of Human Resource Planning in an organization.
3. List the steps involved in Human Resource Planning.
4. Discuss the role of Human Resource Planning in the selection and development of employees.

TEST YOURSELF

1. What is Human Resource Planning? Identify its objectives and role in Human Resource Management.
2. Explain the importance of Human Resource Planning in an organization.
3. List the steps involved in Human Resource Planning.
4. Discuss the role of Human Resource Planning in the selection and development of employees.

3 Job Analysis

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The Chapter Covers :

- SCOPE OF JOB ANALYSIS
- METHODS OF COLLECTING JOB ANALYSIS DATA
- PROCESS OF JOB ANALYSIS
- IMPORTANCE OF JOB ANALYSIS
- JOB DESCRIPTION
- JOB SPECIFICATION

Learning Objectives:

After going through this chapter, you should be able to:

- Define Job Analysis.
- Understand Scope, Uses, Process, Components and Importance of Job Analysis
- Define Job Description
- Explain Job specification

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INTRODUCTION

A defined data collection and analysis procedure through which information about job tasks and job requirements are obtained. Job analysis is the procedure for determining the duties and skill requirements of a job and the kind of person who should be hired for it.

Organizations consist of positions that have to be staffed. Job analysis is the procedure through which you determine the duties of these positions and the characteristics of the people who should be hired for them. The analysis produces information on job requirements, which is then used for developing job descriptions (what the job entails) and job specifications (what kind of people to hire for the job).

A job is a collection or aggregation of tasks, duties and responsibilities which as a whole is regarded as a regular assignment to individual employees.

Meaning of Job Analysis

Job Analysis is basically the process of identifying the nature of jobs. Job analysis refers to various methodologies for analyzing the requirements of a job. The main purpose of conducting job analysis is to prepare job description and job specification which in turn helps to hire the right quality of workforce into the organization. It helps to understand the qualities required by employees. It is a process used to collect information about the duties, responsibilities, necessary skills, outcomes, and work environment of a particular job.

To analyze any job there are 6 steps:

1. Identify how information will be used
2. Review background information
3. Select representative positions to analyze
4. Collect data to analyze job
5. Review information with incumbents
6. Develop Job Description / Job Specification

Step 1 : Identify the use to which the information will be put, since this will determine the types of data you collect and how you collect them. Some data collection techniques like interviewing the employee and asking what the job entails and what his responsibilities are good for writing job descriptions and selecting employees for the job.

Performance standards

- Quantity, quality, speed
- Used to evaluate employee performance

Step 2 : Review relevant background information such as organization charts, process charts, and job descriptions. Organization charts show how the job in question relates to other jobs and where it fits in the overall organization. The chart should identify the title of each position and, by means of its interconnecting lines, show who reports to whom and with whom the job incumbent is expected to communicate.

Step 3 : Select representative positions to be analyzed. This is done when many similar jobs are to be analyzed and it is too time-consuming to analyze, say, the jobs of all assembly workers.

Step 4 : Next actually analyze the job by collecting data on job activities; require employee behaviors, working conditions, and human traits and abilities needed to perform the job.

Step 5 : Review the information with job incumbents. The job analysis information should be verified with the worker performing the job and with his or her immediate supervisor. This will help to confirm that the information is factually correct and complete. This "review" step can also help gain the

employee's acceptance of the job analysis data and conclusions by giving that person a chance to review and modify your description of his or her job activities.

Step 6: Develop a job description and job specification. A job description and a job specification are usually two concrete products of the job analysis. The job description is a written statement that describes the activities and responsibilities of the job, as well as important features of the job such as working conditions and safety hazards. The job specification summarizes the personal qualities, skills, and background required for getting the job done; it may be either a separate document or on the same document as the job description.

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SCOPE OF JOB ANALYSIS

Recruitment and Selection: Job analysis provides information about what the job entails and what human characteristics are required to carry out these activities. Such job description and job specification information is used to decide what sort of people to recruit and hire.

Compensation: Job analysis information is also essential for estimating the value of and appropriate compensation for each job. This is so because compensation, (such as salary and bonus) usually depends on the job's required skill and education level, safety hazards, degree of responsibility and so on—all factors that are assessed through job analysis. Job analysis provides the information determining the relative worth of each job so that each job can be classified.

Training: Job analysis information is also used for designing training and development programs because the analysis and resulting job description show the skills and therefore training that are required.

Performance Appraisal: A performance appraisal compares each employee's actual performance with his or her performance standards. It is often through job analysis that experts determine the standards to be achieved and the specific activities to be performed.

JOB ANALYSIS = Process of defining jobs in terms of tasks, behaviors and personal requirements.

METHODS OF COLLECTING JOB ANALYSIS DATA

A variety of methods are used to collect information about jobs. None of them, however, is perfect. In actual practice, therefore a combination of several methods is used for obtaining job analysis data. These are discussed below:

Job performance:

In this method the job analysts actually performs the job in question. The analysts thus receive firsthand experience of contextual factors on the job including physical hazards, social, demands, emotional pressures and mental requirements. This method is useful for jobs that can be easily learned. It is not suitable for jobs that are hazardous (e.g. fire fighters) or for jobs that require extensive training (e.g. doctors, pharmacists).

Personal observation:

The analysts observes the worker (s) doing the job. The tasks performed, the pace at which activities are done, the working conditions, etc are observed during a complete work cycle. During observations certain precautions should be taken:

- 1) The analysts must observe average worker during average conditions.
- 2) The analysts should observe without getting directly involved in the job.
- 3) The analysts must make note of other specific job needs and not the behaviors specific to particular workers.
- 4) The analysts must make sure that they obtain a proper sample for generalization.

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manual, short period job activities. On the negative side the method fails to take note of the mental aspects of jobs.

Critical incidents:

The critical incident technique (CIT) is a qualitative approach to job analysis used to obtain specific behaviorally focused descriptions of work or other activities. Here the job holders are asked to describe several incidents based on their past experience. The incidents so collected are analyzed and classified according to the job areas they describe. The job requirements will become clear once the analysts draw the line between effective and ineffective behaviors of workers on the job. For example if a shoe salesman comments on the size of a customer's feet and the customer leaves the store in a huff, the behavior of the salesman may be judged as ineffective in terms of the result it produced. The critical incidents are recorded after the events have already taken place – both routine and non-routine. The process of collecting a fairly good number of incidents is a lengthy one. Since incidents or behaviors can be quite dissimilar the process of classifying data into usable job description can be difficult. The analysts overseeing the work must have analytical skills and ability to translate the content of descriptions not meaningful statements.

Interview:

The interview method consists of asking questions to both incumbents and supervisors in either an individual or a group setting. The reason behind the use of this method is that job holders are most familiar with the job and can supplement the information obtained through observation. Workers know the specific duties of the job and supervisors are aware of the job's relationship to the rest of the organizations.

Due diligence must be exercised while using the interview method. The interviewer must be trained in proper interviewing techniques. It is advisable to use a standard format so as to focus the interview to the purpose of the analyst.

Although the interview method provides opportunities to elicit information sometimes not available through other methods, it has its limitations. First, it is time consuming and hence costly. Second, the value of data is primarily dependent on the interviewer's skills and may be faulty if they put ambiguous questions to workers. Last, interviewers may be suspicious about the motives and may distort the information they provide. If seen as an opportunity to improve their positions such as to increase their wages, workers may exaggerate their job duties to add greater weightage to their positions

USES OF JOB ANALYSIS

1. **Acquisition of personnel** : Job Analysis helps in acquisition of personnel as it involves human resource planning, recruitment and selection.
2. **Human Resource Development** : HRD is undertaken as a continuous process to match individuals and job requirements. Such matching is indicated by the information provided by job analysis.
3. **Job Evaluation and Compensation** : The process of determining the worth of different jobs relative to compensation and benefits is known as Job evaluation. This is done through job analysis on the basis of job profile and individual characteristics.
4. **Employee counseling** : Job analysis helps those employees who are unable to bear the stress of a particular job. It helps in employees counseling which helps in removing the stress of the employees.

Compensation: Compensation is what employees receive in exchange for their contribution to the organization. Compensation management helps the organization obtain, maintain and retain a productive workforce.

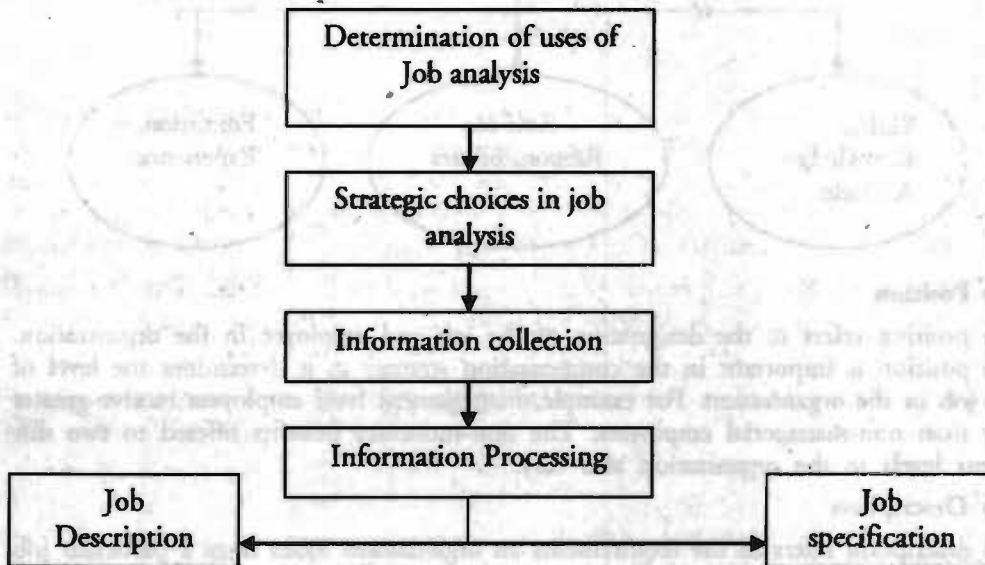
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Compensation is referred to the sum total of monetary and non monetary value provided to the employees in exchange for work performed. It is the money and other benefits received by an employee for rendering services to his employer. These benefits are either direct or indirect rewards given to employees on the basis of the value of the job, their personal contributions, and their performance. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness.

Induction: Orientation or Induction is the first important step in the process of human resource management. It involves familiarization of the newly appointed employees to the work environment of the organization as well as to the fellow employees. Induction is a socializing process by which the organization seeks to make an individual its agent for the achievement of its objectives. The new employees should be oriented to the organization and to its policies, rules and regulations.

PROCESS OF JOB ANALYSIS:

The process of Job analysis is shown below:



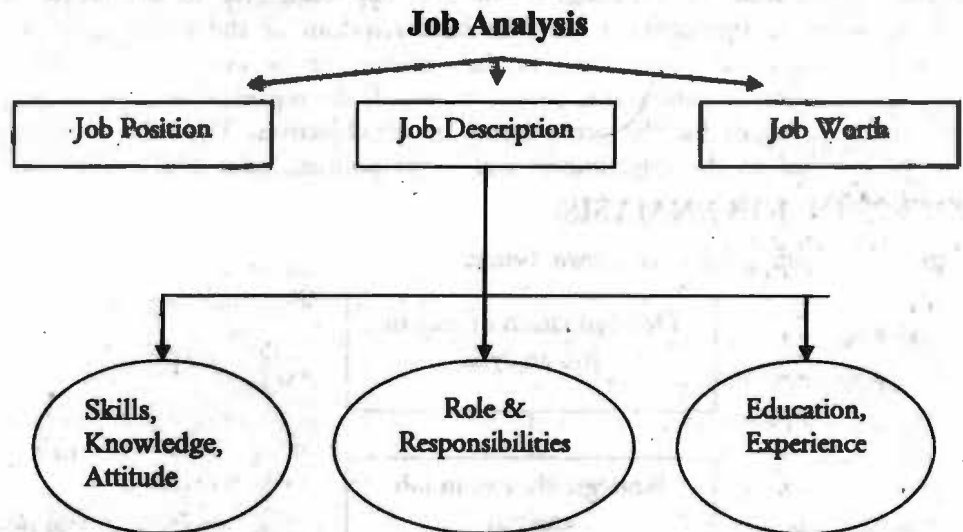
- 1) **Determination of uses of Job analysis :** Job analysis has variety of uses. Its uses are not confined to recruitment and selection. In large organizations, Job analysis is used for different purposes. This information is collected from various sources and in various forms. Therefore, it is the first step is to determine the use of job analysis.
- 2) **Strategic choices in Job analysis :** Certain strategic choices are available before all organization which have to be determined systematically:
 - The extent of employee involvement in job analysis.
 - The level of details of the analysis.
 - Timing and frequency of the analysis.
 - Past- oriented versus future-oriented job analysis.
- 3) **Information Collection :** The next step after analyzing strategic choices is the information collection for job analysis. While collecting information, major decisions that are involved are:
 - The type of information to be collected.
 - Methods to be employed for information collection, and
 - Persons involved in information collection.
- 4) **Information processing :** This step involves editing and classifying information into relevant categories and preparing job description and job speci-

ation. Job description is a written record of a job describing its nature, duties and responsibilities. Job specification refers to the summary of minimum and/or desirable qualities that the employee must possess in order to perform the job effectively.

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COMPONENTS OF JOB ANALYSIS

Job analysis is a systematic procedure to analyze the requirements for the job role and job profile. The components of Job analysis are:



Job Position

Job position refers to the designation of the job and employee in the organization. Job position is important in the compensation strategy as it determines the level of the job in the organization. For example, management level employees receive greater pay than non-managerial employees. The non-monetary benefits offered to two different levels in the organization also vary.

Job Description

Job description refers to the requirements an organization looks from a particular job position. It states the key skill requirements, the level of experience needed, level of education required, etc. It also describes the roles and responsibilities attached with the job position. The roles and responsibilities are key determinant factor in estimating the level of experience, education, skill, etc required for the job. It also helps in benchmarking the performance standards.

Job Worth

Job Worth refers to estimating the job worthiness i.e. how much the job contributes to the organization. It is also known as job evaluation. Job description is used to analyze the job worthiness. It is also known as job evaluation. Roles and responsibilities help in determining the outcome from the job profile. Once it is determined that how much the job is worth, it becomes easy to define the compensation strategy for the position.

Therefore, job analysis forms an integral part in the formulation of compensation strategy of an organization. Organizations should conduct the job analysis in a systematic manner at regular intervals. Job analysis can be used for setting up the compensation packages, for reviewing employees' performance with the standard level of performance, determining the training needs for employees who are lacking certain skills.

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** : Environment means physical requirements needed to perform a job. The work environment may include unpleasant conditions such as offensive odors and high temperature. There may also be risky elements such as noxious fumes, radioactive substances, hostile and aggressive people, and dangerous explosives.
- **Tools and Equipment** : Some duties and tasks are performed using specific equipments and tools. Equipments may include protective clothing. These items need to be specified in a Job Analysis.
- **Requirements** : Job analysis should clearly define the knowledge, skills, and abilities (KSA's) that are required to perform a job.

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IMPORTANCE OF JOB ANALYSIS

Job analysis forms the basis for demand-supply analysis of human resources, recruitments, compensation management, and training need assessment and performance appraisal. It helps in analyzing the human resources and establishing the strategies to accomplish the business goals and strategic objectives.

Job Analysis helps to find information about the following:

1. **Work activities:** Information is usually collected on the actual work activities performed, such as cleaning, selling, teaching, or painting. Such a list may also indicate how, why, and when the worker performs each activity.
2. **Human behaviors:** Information on human behaviors like sensing, communicating, decision-making, and writing may also be collected. Included here would be information regarding human job demands such as lifting weights, walking long distances, and so on. Machines, tools, equipment, and work aids used. Included here would be information regarding products made, materials processed, knowledge dealt with or applied (such as finance or law), and services rendered (such as counseling or repairing)
3. **Performance standards:** Information is also collected regarding performance standards (in terms of quantity, quality, or speed for each job - duty, for instance) by which an employee in this job will be evaluated.
4. **Job context:** Included here is information about such matters as physical working conditions, work schedule, and the organizational and -social context-for instance, in terms of the number of people with whom the employee would normally have to interact. Also included here might be information regarding incentives for doing the job.
5. **Human requirements:** Finally, information is usually compiled regarding human requirements of the job, such as job-related knowledge or skills (education, training, work experience) and required personal attributes (aptitudes, physical characteristics, personality, interests).

Salary and Compensation:

The term compensation management, or alternatively, wage and salary administration revolves around designing and managing policies and methods of disbursing employee compensation. Traditionally it includes such areas as job evaluation, maintenance of wage structures, wage surveys, incentives administration, wage changes and adjustments, supplementary payouts, profit sharing, control of compensation costs, and other related pay items.

Salaried often implies a status distinction, because those who are on salary are generally white-collar, administrative, professional, and executive employees, whereas wage-earners are designated as hourly, non-supervisory, or blue-collar. Wage-earners in some organizations do receive full wage if they are absent for such reasons as sickness, whereas

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salaried employees, especially at the lower levels, often receive overtime pay when they work over the standard work week.

Induction and Orientation: Orientation or Induction is the first important step in the process of human resource management. It involves familiarization of the newly appointed employees to the work environment of the organization as well as to the fellow employees. An induction or orientation programme is designed to achieve the following objectives:-

- To build up the new employee's confidence in the organisation and in himself so that he may become an efficient employee.
- To develop among the newcomers a feeling of loyalty towards the organisation.
- To foster a close and cordial relationship among the employees.
- To ensure that the new employees do not form a false impression and negative attitude towards the organisation or the job.
- To give the employees the necessary information like facilities, rules etc about the organisation.

Generally, the process of orientation begins by taking the new employees around the factory and offices of the company. The supervisor gives new employees' introduction to the fellow employees and provides the immediately needed information about others as well as about the organisation, so that he feels comfortable in the new surroundings. Lectures and discussions may be arranged to provide the necessary information and guidance. Handbooks, manuals and pamphlets may also be supplied for the orientation of the new employees. The information provided to the new employees, during the orientation process may include:-

- Brief history of the Company
- Operations and products of the company
- Company's organisational structure
- Location of departments and employee facilities
- Personnel policies and practices
- Rules and regulations
- Employee activities
- Grievance procedure
- Safety measures
- Standing orders.

What is the difference between induction and orientation?

Induction referred to formal training programs that an employee had to complete before they could start work.

Orientation was the informal information giving that made the recruit aware of the comfort issues - where the facilities are, what time lunch is and so forth.

JOB DESCRIPTION

A job description is a list of the general tasks, or functions, and responsibilities of a position. It also includes qualifications needed by the person in the job, salary range for the position, etc.

It is written statement showing job title, tasks, duties and responsibilities involved in a job. A job description is usually developed by conducting a job analysis, which includes examining the tasks and sequences of tasks necessary to perform the job. The analysis looks at the areas of knowledge and skills needed by the job.

A job description contains the following information:

Check Your Progress

- 1) What is Job performance?
- 2) Define job position.

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- 1) Job title, code number, and department/division.
- 2) Job contents in terms of activities or tasks performed.
- 3) Job responsibilities towards effective performance of the job.
- 4) Working conditions specifying specific hazards.
- 5) Social environment existing at the workplace.
- 6) Machine tools and equipments.
- 7) Extent of supervision given and received.
- 8) Relationship with other jobs.

Significance of Job description

- A job description should be written concisely and with the primary purpose of informing the employees.
- It is not so much a legal document, as it is a way to advise prospective and current employees of what is expected from a specific job.

Features of Job description

- **Position title:** Every job should be followed by the name of the person responsible for overseeing that position and the job location. It also is a good idea to include the pay
- **Scale range.** It is important to add working conditions as this is a way for prospective employees to decide if they are interested in this specific position.

A job description should include the hours and/or shift that the individual performing this position will be working. Most importantly, it will include duties, tasks, and responsibilities that lie with that specific post. This is the area that specifies as to what should be included, including the skill set necessary to complete the tasks outlined.

Benefits of Job Description

- A job description clearly defines what is expected from the employer and the employee. A well-written job description can help the employee to be prepared and informed of what is expected of him. It can be a useful tool in the communication between management and employees.
- Job descriptions are written statements that describe the duties, responsibilities, contributions and outcomes needed from a position, required qualifications of candidates, and reporting relationship and coworkers of a particular job.
- Job descriptions are based on information obtained through job analysis, an understanding of the competencies and skills required to accomplish needed tasks, and the needs of the organization to produce work.
- Job descriptions also include information about working conditions, tools, equipment used, knowledge and skills needed, and relationships with other positions.

JOB SPECIFICATION:

JOB SPECIFICATION is a statement which tells us minimum acceptable human qualities which helps to perform a job. Job specification translates the job description into human qualifications so that a job can be performed in a better manner. Job specification helps in hiring an appropriate person for an appropriate position. The contents are:

- a. Job title and designation
- b. Educational qualifications for that title
- c. Physical and other related attributes
- d. Physique and mental health

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- e. Special attributes and abilities
- f. Maturity and dependability
- g. Relationship of that job with other jobs in a concern.

Job specification specifies personality requirements, and lists qualifications both physical and mental, necessary to perform the job properly. It is used in informing the prospective employees about minimum acceptable qualities required to get the job and perform well.

It may be a specific period of experience, a specific educational degree or specific physical requirements such as height, weight etc. These specifications specifically relate to:

1. **Physical characteristics** : These include general health, height, endurance level, vision, colour discrimination, etc.
2. **Psychological characteristics** : These include mental dexterity, judgment - analytical ability, alertness and concentration.
3. **Personal characteristics** : These include personal appearance, emotional stability, maturity, aggressiveness, outgoing nature, poise, initiative and drive, leadership qualities, cooperative spirit, conversational ability etc.
4. **Responsibilities** : These include supervision of others, responsibility for production, process or equipment; responsibility for the safety of others etc.

Advantages of Job Specification

- a. It is helpful in preliminary screening in the selection procedure.
- b. It helps in giving due justification to each job.
- c. It also helps in designing training and development programmes.
- d. It helps the supervisors for counseling and monitoring performance of employees.
- e. It helps in job evaluation.
- f. It helps the management to take decisions regarding promotion, transfers and giving extra benefits to the employees.

CASE STUDY

Job analysis may be defined as a methodical process of collecting information on the functionally relevant aspects of a job. Job analysis tells the human resources personnel:

- the time it takes to complete relevant tasks
- the tasks that are grouped together under a single job position
- the ways to design or structure a job for maximizing employee performance
- the employee behavioral pattern associated with performance of the job
- the traits and attributes of a proper candidate for the job
- the ways the data can be used to develop human resource management

Importance of Job Analysis:

Three major factors create the need for job analysis:

- statutory concerns, such as equal employment opportunity
- responses to business competition—recruiting and retaining talent
- technological changes that create new jobs and render others obsolete

What are the uses of job analysis information?

Job analysis information is used in human resources on a regular basis to define:

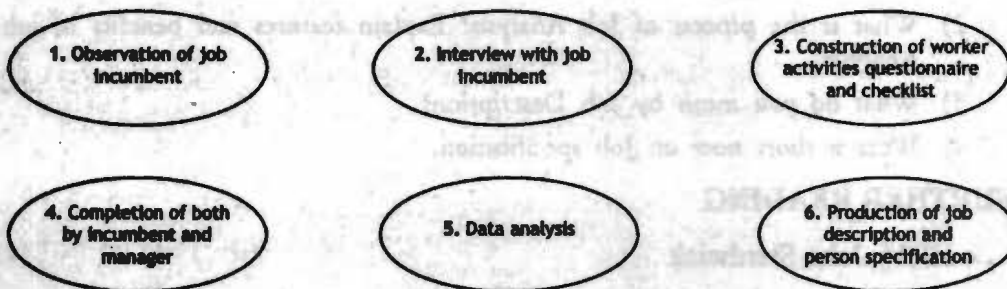
- **Job description**: A job description gives an account of the work and duties associated with a particular job. It describes the way the job is performed currently. Most job descriptions contain the following information:

- o the job name
- o summary description of the job
- o a list of duties for the job
- o a list of organizational responsibilities related to the job
- Job specifications: Job specifications define the characteristics of the activities associated with the job and given in the job description. They describe the skill sets and qualifications that a candidate for the job should possess.
- Job classification: Job classification groups similar jobs into classes and families. This simplifies the overview for managers and is essential for streamlined functioning of an organization.
- Job evaluation: Job evaluation involves finding out the monetary worth of a job and helps to set up equitable pay structures.
- Job design: Job design integrates employee needs with productivity needs to maximize worker efficiency.

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Job Analysis as a Basis for Producing a Job Description and a Person Specification

Flynn (1996) conducted an analysis of the job of Copy Room Supervisor in the Admin Copy room of the Reprographics Unit within a university Design & Print Centre. The unit's main functions are photocopying and binding, production and print room support. The job incumbent and the Print & Reprographics Manager provided input to the job analysis. A multi-level approach was used: task (specific tasks, procedures, equipment, materials used), worker-oriented (work activities and behaviours) and personal characteristics (knowledge, skills, abilities and personal attributes required for effective performance). The methods of analysis selected were as follows:



Recorded observations and interview responses were pooled and then content analysed to produce a list of tasks, activities and attributes. Fifty-one job statements were produced, organized under seven main headings: planning and organizing, controlling and monitoring, decision making, administration, interaction with others, equipment, security and safety. Job incumbent and manager independently rated each statement on importance to effective operation of job and frequency of performance, using five-point scales. It was found that the job incumbent and manager agreed overall in their ratings of importance and frequency, although disagreements arose with respect to some administrative tasks and in how much interaction with others was described.

Questions:

- What is the need for job analysis?
- What do you understand after reading this case study?

SUMMARY:

- A defined data collection and analysis procedure through which information about job tasks and job requirements are obtained.

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- Job analysis is the procedure for determining the duties and skill requirements of a job and the kind of person who should be hired for it.
- Job position refers to the designation of the job and employee in the organization. Job position is important in the compensation strategy as it determines the level of the job in the organization.
- Job Worth refers to estimating the job worthiness i.e. how much the job contributes to the organization. It is also known as job evaluation.
- A job description is a list of the general tasks, or functions, and responsibilities of a position.

ANSWERS TO 'CHECK YOUR PROGRESS'

1. In this method the job analysts actually performs the job in question. The analysts thus receive firsthand experience of contextual factors on the job including physical hazards, social, demands, emotional pressures and mental requirements. This method is useful for jobs that can be easily learned. It is not suitable for jobs that are hazardous (e.g. fire fighters) or for jobs that require extensive training (e.g. doctors, pharmacists).
2. Job position refers to the designation of the job and employee in the organization. Job position is important in the compensation strategy as it determines the level of the job in the organization. For example, management level employees receive greater pay than non-managerial employees. The non-monetary benefits offered to two different levels in the organization also vary.

QUESTIONS:

- 1) Define Job Analysis. What are the uses and components of Job Analysis?
- 2) What is the process of Job Analysis? Explain features and benefits of job Analysis.
- 3) What do you mean by Job Description?
- 4) Write a short note on Job specification.

FURTHER READING

- HRM: John Sterdwick
- *Human Resource Management: L. M. Prasad*

4

Recruitment and Selection

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The Chapter Covers :

- RECRUITMENT
- Factors Affecting Recruitment
- Sources of Recruitment OR METHODS OF RECRUITMENT
- Factors in a Recruitment POLICY
- ASSESSMENT OF THE RECRUITMENT PROGRAMME
- RECENT TRENDS IN SELECTION
- FACTORS AFFECTING SELECTION DECISIONS:
 - Recruitment & Selection Policies
 - Recruitment Practices in India

Learning Objectives:

After going through this chapter, you should be able to:

- Understand the term Recruitment and Selection.
- Explain process of Recruitment.
- Discuss methods of Recruitment.
- Differentiate between Selection and Recruitment.
- Draw Selection Process.

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INTRODUCTION

In this chapter we look at the first stage of managing people - attracting and selecting staff. Recruitment and selection are usually considered as one process. However, we will make the distinction here between the initial actions and considerations when planning staff recruitment and the process of selecting an individual from a pool of applicants. Recruitment needs to be carefully planned in order to attract the right type of applicant. Ultimately, this increases the chances of making a suitable selection and appointment. Your involvement may be limited to a discussion of the need for a particular job within your team or work area, or you may be required to interview job applicants. Whatever your involvement, this chapter makes it clear that it is important for you to understand the whole process to make an effective contribution to the staffing of your organisation.

RECRUITMENT

Recruitment is a process concerned with the identification of sources from where the personnel can be employed and ensuring the placement of right personnel at right place. It is a process for obtaining correct number and quality of employees that can be selected in order to help the organization to achieve its goals and objectives. In simple words, recruitment refers to the process of attracting, screening, and selecting qualified people for a particular job in an organization.

Recruitment is a 'linking function' joining together those with jobs to fill and those seeking jobs. Recruiting makes it possible to acquire the number and types of people necessary to ensure the continued operation of the organization. Hr-Recruiting is the discovering of potential applicants for actual or anticipated organizational vacancies. In simple terms, recruitment applies to the process of attracting potential employees to the organization or company. It is a systematic-means of finding and inducing available candidates to apply to the company or enterprise to employment recruitment is said to be positive in its approach as it seeks to attract as many candidates as possible.

According to Flippo, "Recruitment is the process of searching for prospective employees and stimulating them to apply jobs in the organization.

According to C.B. Mamoria, "Recruiting is the discovering of potential applicants for actual or anticipated organizational vacancies".

According to Voder, "the recruitment policy is concerned with quantities & qualifications of manpower." It establishes broad guidelines for the staffing process.

According to Werther and Davis,-

"Recruitment is the process of finding and attracting capable applicants for employment. The process begins when new recruits are sought and ends when their applications are submitted. The result is a pool of applicants from which new employees are selected."

Another definition of recruitment says:

"Recruitment is a form of competition. Just as corporations compete to develop, manufacture, and market the best product or service, so they must also compete to identify, attract and hire the most qualified people".

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Thus, recruitment helps to create team of prospective employees for the organization. Recruitment acts as a link between the employers and the job seekers and ensures the placement of proper candidates. The process of attracting individuals on a timely basis, in adequate numbers, and with appropriate qualifications, and encouraging them to apply for jobs with an organization is known as recruitment.

The ability to identify the correct talent for not just the role/job but also from the organizational values perspective can be summarized as the key recruiting challenge. Following figure provides the framework used in organizations to plan and staff the human resources requirements of the company.

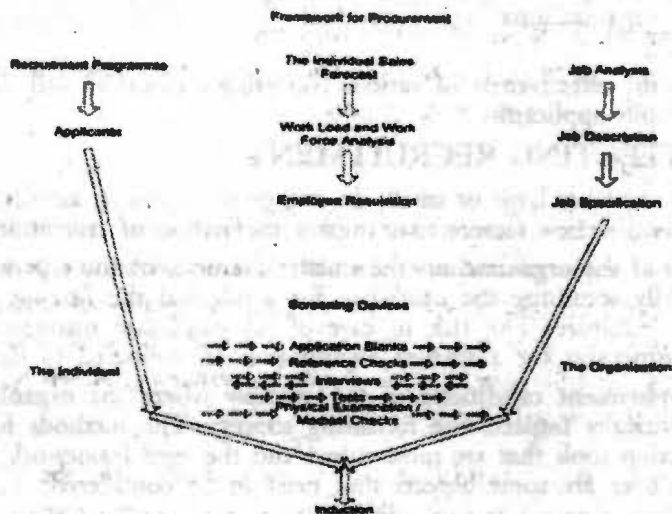


Figure: Framework design of Procurement

While an organization might have established techniques of their own to hire, there is no easy, fool-proof method for assessing a candidate even if for the simplest job. The time that today's organizations spend on this activity is not just planning for it but also its execution. The length and complexity of the modern selection procedure are tangible evidence of this fact.

Recruitment or manpower selection process is the first step in the employment of talent and the methods through which this talent is brought into a job has much to do with the ultimate success or failure of such employment. It is a strange paradox that on one hand we have a surplus of educated talent available in the market awaiting employment while on the other hand organizations struggle to find the right talent. Therefore the employability of the educated talent is fast emerging as the single largest challenge, for India at least.

Therefore, recruitment has been regarded as the most important function of human resources administration, because unless the right type of people are hired; even the best plans, organization charts and control systems would be rendered ineffective. Careful recruitment of employees is particularly important in India for at least two key reasons: (a) it is not easy to fire an employee. It has both societal as well as legal implications. Labor Court adjudicating such disputes would determine whether the termination of service was justified and to order reinstatement if such order was appropriate. Organizations have to maintain clear documentation of the performance of an employee which is objectively and fairly recorded to ensure that the employee was given adequate opportunity to do the job and was supported by the employer in this effort. Failure to carry out this procedure undermines the case if it goes to any judicial court, (b) the chances of mismatching the job and the person are much higher in India. With resume's that carry fictitious information this challenge is compounded. Under these conditions, the pressure to properly match a candidate to a job is only one-sided, that is, from employer's side only.

Purposes and Importance of Recruitment:

The general purpose of recruitment is to provide a pool of potentially qualified job candidates. Specifically, the purposes are to:

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- (1) Determine the present and future requirements of the organization in conjunction with the personnel planning and job analysis activities.
- (2) Increase the pool of job candidates with minimum cost.
- (3) Help increase the success rate of the selection process by reducing the number of, obviously, under qualified or overqualified job applicants.
- (4) Help reduce the probability that job applicants, once recruited and selected, will leave the organization only after a short period of time.
- (5) Meet the organization's legal and social obligations regarding the composition of its workforce.
- (6) Start identifying and preparing potential job applicants who will be appropriate candidates.
- (7) Increase organizational and individual effectiveness in the short and long term.
- (8) Evaluate the effectiveness of various recruiting techniques and sources for all types of job applicants.

FACTORS AFFECTING RECRUITMENT

All organizations, whether large or small, do engage in recruiting activity, though not to the same intensity. Few factors that impact the nature of recruitment:

- i. **The size of the organization-** the smaller the organization the more the need to carefully scrutinize the candidate for a job and the fitment to the organizational culture. The risk in case of job-candidate mismatch can prove equally expensive for a smaller organization as compared to the larger one.
- ii. **The employment conditions in the country where the organization is located-** critically impacts the recruiting strategy. The methods for recruiting, the selection tools that are most suited and the legal framework that bear on the employer are some aspects that need to be considered.
- iii. **The affects of past recruiting efforts which show the organization's ability to locate and keep good performing people-** constantly reviewing the effectiveness of the recruiting methods and the selection, tools used, evaluating the success at-work of the new recruits are some methods used by organizations to ensure that quality hiring practices are in-place.
- iv. **Working conditions and salary and benefit packages offered by the organization -** this may influence turnover and necessitate future recruiting. The rate of growth of organization- the phase in the life- cycle of the firm is a measure of the recruiting effort.
- v. **The level of seasonality of operations and future expansion and production programmes -** Ensuring that the recruitment numbers come from a well-planned Human Resource Plan. It is critical to ensure that there is no over-hiring or under-hiring of the required talent to achieve the organizational objectives.
- vi. **Cultural, economic and legal factors -** these too affect the recruiting and selection methods that are used.

Significance of Recruitment

1. In combination with HRM planning, recruitment helps in determining the requirements for present and future human resources.
2. Recruitment helps in building team of potential personnel and analyzing the sources from where the organization has to choose those candidates.
3. It helps in filtering the number of candidates by eliminating under qualified or overqualified job applicants.
4. It helps in reducing the attrition rate by signing in a contract with the prospective candidates.
5. It helps in evaluating the effectiveness of various recruitment techniques and sources of recruitment.

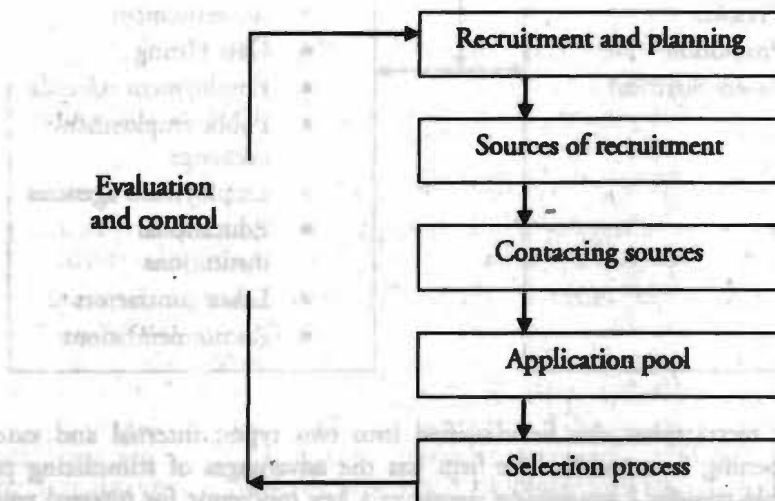
Recruitment needs

There are 3 types of recruitment needs arising in the organization.

1. **Planned:** Needs arising from the changes in the organization and retirement policy are called planned needs of recruitment.
2. **Anticipated:** Anticipated needs are those movements in personnel which an organization can predict by studying trends in internal and external environment. Example: Attrition rate of young generation.
3. **Unexpected:** Incidents like resignations, deaths, accidents and illness often give rise to unexpected needs.

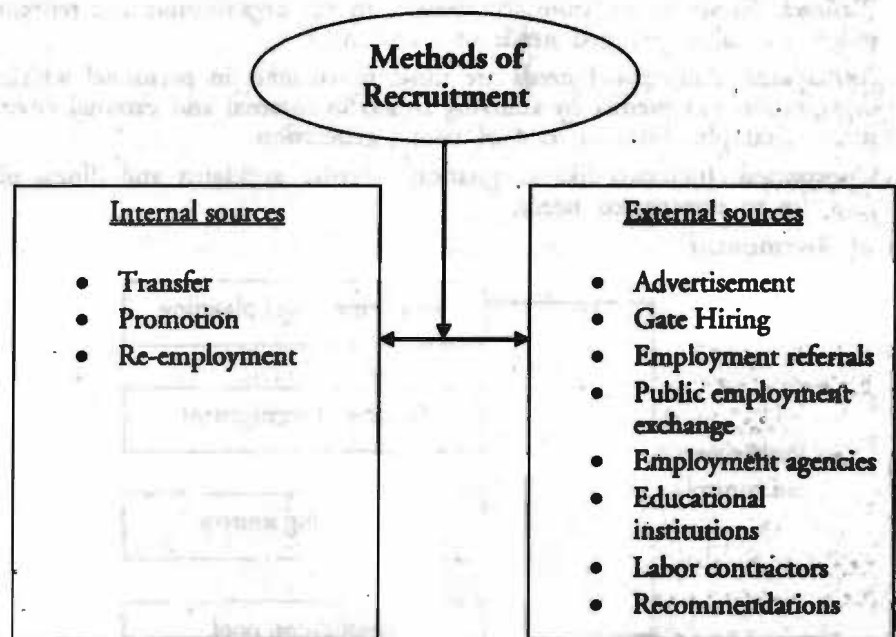
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Process of Recruitment



1. **Recruitment and planning :** First step in recruitment process starts with planning which involves determination of number of applicants and type of applicants to be contacted. Generally, organizations plan to attract more applicants than what they intend to select. This is because some of the candidates may not be interested in joining the organization and some may not meet the criteria of selection.
2. **Sources of recruitment :** Second step in recruitment process is to identify the sources from where these candidates can be attracted. Normally, there are two kinds of sources for the manpower supply: internal and external.
Internal sources: - Through internal sources, an organization fills the vacancies by either locating present potential personnel or by taking referrals from those personnel. Most of the organization promote their present employees or transfer them in order to fill the positions that are vacant. These promotions are made on the basis of merit system or seniority bases, or combination of both.
External sources: - External sources are all those sources through which an organization makes contact with potential candidates, other than its own internal candidates.
3. **Contacting sources :** After realizing the sources of contact, the process of contacting these sources starts. Every organization must start this process after sufficient preparation and research. Organizations should share all the necessary information which is must to be shared with the candidates. There are various methods of contacting sources.
4. **Application pool :** After contacting the sources of recruitment, the organization receives applications from prospective candidates. The number of application depends upon the size of organization, type of organization and type of jobs. All the applications received for a particular job are collected which become the basis for selection process.

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The sources of recruitment can be classified into two types, internal and external. Filling a job opening from within the firm has the advantages of stimulating preparation for possible transfer / promotion, serves as a key motivator for internal employees who are aspiring for a move, increasing the general level of morale, and provides more information about job candidates through analysis of work histories within the organization. A job posting has a number of advantages. From the view point of the employee, it provides flexibility and greater control over career progress. For the employer, it should result in better matches of employee and job. However, not all jobs are posted by an organization internally. In opening a job for internal aspirants an organization make a conscious decision and then moves forward. It is also possible that organizations might post all job opening internally as well as externally and the internal candidates compete for the job along with other external candidate. Whatever is the case, the objective remains to find the 'best person' for the job.

(1) Internal Recruitment:

Internal Recruitment refers to filling up of vacancies from its internal resources. It takes place within the concern or organization. These sources are readily available to an organization. Internal recruitment helps to increase the employee's productivity as their motivation level increases. It also assists the organization to save time, money and efforts. But a drawback of internal recruitment is that it ceases the organization from new employees that might prove to be more efficient form the existing ones. Since, all the manpower requirements cannot be met through internal recruitment, hiring from outside has to be done so as to fill the existing vacancies.

Internal sources are primarily of 3 types:

- a. Transfers
- b. Promotions (through Internal Job Postings) and
- c. Re-employment of ex-employees - Re-employment of ex-employees is one of the internal sources of recruitment in which employees can be invited and appointed to fill vacancies in the concern. There are situations when ex-employees provide unsolicited applications also.

Merits

- (i) Enhances morale of the employees of the organization,
- (ii) It ensures stability from continuity of employment.
- (iii) Provides an opportunity to the management to implement a comprehensive programme of talent inventory & analysis.
- (iv) Employer is in a better position to evaluate those presently employed than outside candidates,
- (v) Builds loyalty among the employees,
- (vi) In many organizations, the principal source for qualified workers may be the ranks of present employees who have received specialization.

Demerits

- (i) There is a danger of 'inbreeding' implying that new blood may be discouraged from entering an organization or company.
- (ii) Another major weakness is possible inadequacy of supply of needed manpower,
- (iii) Recruitment from within seldom contributes significant new ideas or innovations or suggestions that may be very important for progress in a competitive economy,
- (iv) Promotions based on length of service rather than merit, may prove to be a blessing for inefficient candidates. They do not work hard & prove their worth,

External Recruitment – External sources of recruitment are those sources that have to be searched from outside the organization. External sources are external to a concern. It involves a lot of time and money. The external sources of recruitment include – Employment at factory gate, advertisements, employment exchanges, employment agencies, educational institutes, labor contractors, recommendations etc. In other words, external recruitment is when the organization clearly prefers to hire from outside the organization for the job. Organizations most definitely go for external hiring for lower level jobs, when they are expanding, during phases of rapid growth and for positions whose skills/ experience specifications cannot be met by existing human resources.

- a) **Employment at Factory Level/ Gate hiring** – Gate hiring is the concept of selecting people in which the applications for vacancies are presented on bulletin boards outside the Factory or at the Gate. This kind of recruitment is applicable generally where factory workers are to be appointed. These workers are mostly unskilled or semi-skilled workers. There are people who keep on seeking jobs from one place to another. These applicants are called as unsolicited applicants. These types of workers apply on their own for the job. In this kind of recruitment, workers have a tendency to shift from one factory to another and therefore they are called as "badli" workers.
- b) **Advertisement** – The most common method for contacting the prospective candidates is advertising. It is an external source which has got an important place in recruitment procedure. It is used for attracting managerial and technical people either experienced or inexperienced. The biggest advantage of advertisement is that it covers a wide area of market and scattered applicants can get information through advertisements. Medium used is Newspapers and Television.
- c) **Employment Exchanges** – There are certain Employment exchanges which are run by government. They are also known as public employment exchanges. Most of the government undertakings and concerns employ people through such exchanges. According to this method, all the industrial undertakings must notify their vacancies to employment exchange concerned be-

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fore these vacancies are filled. The main purpose of these exchanges is to find a match between jobs notified by various industrial undertakings and the job seekers. Now-a-days, recruitment in government agencies has become compulsory through such public employment exchanges.

- d) **Employment Agencies** – There are certain professional organizations which undertake recruitment and employment of people on behalf of actual employees, i.e. these private agencies run by private individuals supply required manpower to needy concerns.
- e) **Educational Institutions** – Also known as Campus recruitment programme, Educational Institutions make arrangements for conducting selection tests and interviews on the campus, provide resumes of the students and make them available for the companies visiting the campus. It is an external source for recruiting fresh graduates from these institutes. The procedure adopted by recruiting organizations is as follows:
 - i. Short listing campuses
 - ii. Choosing recruiting team
 - iii. Visiting campus and making contact
 - iv. Conducting interviews/tests
- f) **Recommendations** – At times, certain people in the organization recommend the names of some other persons who have experience in a particular area. These recommended persons may be their family members, friends, or other known people. The idea behind using employee recommendations is that the present employees may have specific knowledge of such candidates. There are certain vacancies which can be filled by recommendations of such people. One drawback of this source is that the company has to rely totally on such people which can later on prove to be inefficient.
- g) **Labor Contractors** – There are some people who supply manpower to the Factory or Manufacturing plants. Through these contractors, workers are appointed on contract basis, i.e. for a particular time period. Under the conditions when these contractors leave the organization, such people who are appointed have also to leave the concern.

Merits:

- (i) **Wide Choice:** The organization has the freedom to select candidates from a large pool. Persons with requisite qualifications could be picked up.
- (ii) **Injection of Fresh Blood:** People with special skills & knowledge could be hired to stir up the existing employees & pave the way for innovative ways of working.
- (iii) **Motivational Force:** It helps in motivating internal employees to work hard & compete with external candidates while seeking career growth. Such a competitive atmosphere would help an employee to work to the best of his abilities.
- (iv) **Long-term Benefits:** Talented people could join the ranks, new ideas could find meaningful expression, give out their best and earn rewards.

Demerits

- (i) **Expensive:** Hiring costs could go up substantially. Tapping multifarious sources of recruitment is not an easy task either.
- (ii) **Time Consuming:** It takes time to advertise, screen, to test & to select suitable employees. Where suitable ones are not available, the process has to be repeated.
- (iii) **Demotivating:** Existing employees who have put in considerable service may resist the process of filling up vacancies from outside. The feeling that their

- services have not been recognized by the organization, forces them to work with less enthusiasm & motivation,
- (iv) **Uncertainty:** There is no guarantee that the organization ultimately will be able to hire the services of suitable candidates. It may end up hiring someone who does not 'fit' & who may not be able to adjust in the new setup.

ALTERNATIVES TO RECRUITMENT

Since recruitment and selection costs are high (search process, interviewing, agency fee, etc.) firms these days are trying to look at alternatives to recruitment, especially when market demand for firm's products and services is sluggish. Moreover, once employees are placed on the payroll, it may be extremely difficult to remove them if their performance is marginal. Some of the options in this regard may be listed thus:

- (1) **Overtime:** Short-term fluctuations in work volume could best be solved through overtime. The employer benefits because the costs of recruitment, selection and training could be avoided. The employee benefits in the form of higher pay. However, an overworked employee may prove to be less productive and turn out less than optimal performance. Employees may slow down their pace of work during normal working hours in order to earn overtime daily. In course of time overtime payments become quite routine and for any reason these payments do not accrue regularly, employees become resentful and disgruntled.
- (2) **Subcontracting:** To meet a sudden increase in demand for its products and services, sometimes, the firm may go for subcontracting - instead of expanding capacities immediately. Expansion becomes a reality only when the firm experiences increased demand for its products for a specified period of time. Meanwhile, the firm can meet increased demand by allowing an outside specialist agency to undertake part of the work to mutual advantage.
- (3) **Temporary Employees:** Employees hired for a limited time to perform a specific job are called temporary employees. They are particularly useful in meeting short term human resource needs. A short-term increase in demand could be met by hiring temporary hands from agencies specializing in providing such services. In this case the firm can avoid the expenses of recruitment and the painful effects of absenteeism, labor turnover, etc. It can also avoid fringe benefits associated with regular employment. However, temporary workers do not remain loyal to the company; they may take more time to adjust and their inexperience may come in the way of maintaining high quality.
- (4) **Employee Leasing:** Hiring permanent employees of another company who possess certain specialized skills on lease basis to meet short-term requirements - although not popular in India - is another recruiting practice followed by firms in developed countries. In this case individuals work for the leasing firm as per the leasing agreement/arrangement. Such an arrangement is beneficial to small firms because it avoids expense and problems of personnel administration.

FACTORS IN A RECRUITMENT POLICY

Generally, the following factors are involved in a recruitment policy:

- (1) To carefully observe the letter & spirit of the relevant public policy on hiring & on the whole, employment relationship,
- (2) To provide individual employees with the maximum of employment security, avoiding frequent lay-off or lost time.
- (3) To provide each employee with an open road & encouragement in the continuing development of his talents & skills.
- (4) To assure each employee of the organization interest in his personal goals & employment objectives,

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- (5) To assure employees, of fairness in all employment relationships, including promotions & transfers.
- (6) To avoid cliques which may develop when several members of the same hold or community are employed in the organization.
- (7) To provide employment in jobs which are engineered to meet the qualifications of handicapped workers & minority sections.
- (8) To encourage one or more strong, effective, responsible trade unions among the employees.

PREREQUISITES OF A GOOD RECRUITMENT POLICY:

- (1) It should be in conformity with its general personnel policies.
- (2) It should be flexible enough to meet the changing needs of an organization.
- (3) It should be pro designed so as to ensure employment opportunities for its employees on a long-term basis so that the goals of the organization should be achievable, & it should develop the potentialities of employees.
- (4) It should match the qualities of employees with requirements of the work for which they are employed.
- (5) It should highlight the necessity of establishing job analysis.

Once the, recruitment policy is made explicit, the company cans evolve a detailed procedure to make the whole exercise systematic. Such a systematic approach will enable people within (or outside) the organization to follow a predictable path.

The recruitment procedures should however be flexible enough to permit personnel department to respond quickly to demands made on them by various departments & by potential candidates. Recruitment, it should be remembered, is a marketing activity as well as a public relations exercise. When recruiting people,, organizations are going out into their external environment & competing with others for suitable. Candidates, such activities, therefore, should be conducted in a manner that sustains or enhances the prestige & public: image of the organization concerned. Fair & objective recruitment policies & standards would add to the image of the organization in the long run.

ASSESSMENT OF THE RECRUITMENT PROGRAMME

Sources for recruiting should be periodically evaluated. For this purpose, the criteria may be the cost per applicant, the applicant/ hiring ratio, tenure, performance appraisals, etc.

The organization should first identify how an applicant was attracted to the firm. A simple way of securing this information is to include in the application bland a question:

- (i) How did you learn of the job vacancy for which you have applied?
- (ii) The next step is to determine whether any one method consistently attracts better applicants.
- (iii) The last step is to use this information to improve the recruiting process.

Recruiting should take into consideration ethical practices, such as use of truth in hiring, i.e., telling an applicant all about the firm & its position, both good & bad, to enable him to decide whether or not to join the firm, if selected.

A successful & effective recruitment programme necessitates:

- (i) a well-defined recruitment policy,
- (ii) a proper organizational structure,

- (iii) procedures for locating sources of manpower resources,
- (iv) suitable methods & techniques for utilizing these, &
- (v) A constant assessment & consequent improvement.

Recruitment Practices in India

The different sources for recruitment in India have been classified thus:

- (i) Within the organization:
- (ii) Badli or temporary workers;
- (iii) Employment agencies;
- (iv) Casual callers;
- (v) Applicants introduced by friends and relatives in the organization;
- (vi) Advertisements; and
- (vii) Labour contractors.

According to a survey of public and private sector employers by Prof. Basavaraj, the following methods were used to recruit employees:

(i) In the public sector (steel units), the major sources or recruitment in order of preference are:

- (a) Casual callers or employment seeders;
- (b) Newspaper advertisements;
- (c) Scheduled tribes and schedules castes;
- (d) Employment exchanges;
- (e) Other public undertakings;
- (f) Internal advertisement;
- (g) Displaced persons;
- (h) Relative and friends;
- (i) Employee recommendations; and
- (j) Institutions.

(ii) In the public sector (heavy engineering) the sources for non-supervisory staff are:

- (a) Employment exchanges;
- (b) External advertisement;
- (c) Internal advertisement;
- (d) Central training institute;
- (e) Introduction by the liaison officer of a corporation;
- (f) Deputation personnel; and
- (g) Transfer from other public undertakings.

(iii) In the private sector, the survey disclosed that the procedures, though formulated, were not institutionalized in character. In some organizations, preference was given to sons and relatives of employees and to local people. In order of preference, the major sources are:

- (a) Advertisements;
- (b) Employment exchanges;

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- (c) Relatives and friends;
- (d) Casual caller; and
- (e) Employee.

Check Your Progress

1. Define Recruitment.
2. What are recruitment needs?

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SELECTION

Selection is a process of choosing the right candidate for the desired job profile. It is either selecting the suitable candidature or rejecting the unsuitable candidature. It is the last and most crucial stage in acquiring human resource in an organization. It is a step where the organization has to decide who can fit in the overall job requirements in the light of job description, role analysis, and job specification.

The selection phase is often complicated, lengthy and time consuming. Organization has to make lots of efforts to select people who are fit for the jobs. Selection implies scrutiny of candidates to ascertain how one can match the demands of the desired job profile.

Selection is the process of examining the applicants with regard to their suitability for the given job or jobs, and choosing the best from the suitable candidates and rejecting the others. Thus, selection is negative in its application in as much as it seeks to eliminate as many unqualified applicants as possible in order to identify the right candidates.

In other words, Selection is the process of picking individuals (out of the pool of job candidates) with requisite qualifications and competence to fill job in the organization.

A formal definition of selection is that "it is the process of differentiating between applicants in order to identify (and hire) those with a greater likelihood of success in a job."

According to Dale Yoder, "Selection is the process in which candidates for employment are divided into two classes those who are to be offered employment and those who are not. Selection means a process by which, qualified personnel may be chosen from the applicants offering there, services to the organization for employment."

According to Stone, "Selection is the process of differentiating between applicants in order to identify those with a greater likelihood of success in a job".

Prof P. Subba Rao defined in his book, "Essentials of Human Resource Management and Industrial Relations" that, "The objective of selection is to choose the individual who can most successfully perform the job from the pool of qualified candidates."

DIFFERENCE BETWEEN SELECTION AND RECRUITMENT

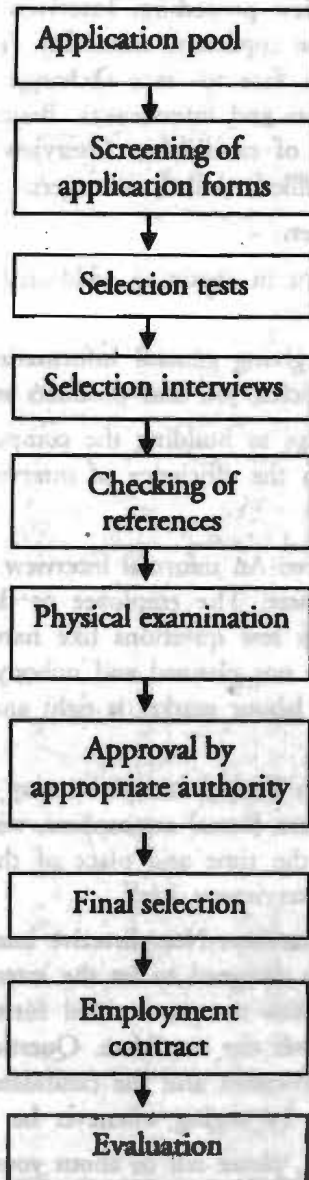
The basic difference between recruitment and selection is that,

Recruitment is a process to attract maximum number of candidates so as to make more options available to the organization; whereas, selection is a process to choose the best out of available candidates.

Some other differences are:

- 1 Recruitment is a positive activity as it is concerned with increment of candidates, where as selection is a negative activity as it is related to eliminating the candidates.
- 2 Recruitment precedes selection whereas selection follows recruitment.
- 3 The technique of recruitment is not very much intensive and does not require high skills, whereas selection process requires specialised techniques.

Process of Selection:



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1. **APPLICATION POOL** : An application is a detailed form consisting complete information about the prospective candidates. This form basically contains information like biographical data, educational information, work experience, career objectives, etc. More number of applications will provide more of options to the organization to choose the best candidate.
2. **SCREENING OF APPLICATION** : The process of selection actually starts from this step when the scrutiny of applications begins. Scrutiny of application forms helps the HR specialists to eliminate unqualified jobseekers based on the information supplied by them. Based on screening of applications, only those candidates are called for further process of selection that is found to be meeting the job requirements of the organization.
3. **SELECTION TESTS** : Job seekers who pass the screening and the preliminary interview are called for tests. Different organizations follow different types of tests depending on the jobs and the skills. These tests are taken to check the desired level of skills and knowledge of the candidates. Generally, these tests are related to aptitude, general awareness, applicant's ability and personality.

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4. **INTERVIEW** : After the selection test is over, shortlisted candidates are called for the interview procedure. Interview is formal conversation conducted to evaluate the applicant's suitability. It is considered to be the best selection device. It is face to- face exchange of views, ideas and opinion between the candidates and interviewers. Basically, interview is nothing but an oral examination of candidates. Interview process can be adapted for selection of the unskilled, skilled, managerial and professional employees.

Objectives of interview: -

- 1) Interview helps in obtaining additional information about the applicants
- 2) It facilitates giving general information to the applicants such as company policies, job and products manufactured.
- 3) Interview helps in building the company's image among the applicants through the efficiency of interviewers.

Types of interviews

1. **Informal Interview:** An informal interview is an oral interview and may take place anywhere. The employee or the manager or the personnel manager may ask few questions like name, place of birth, names of relatives etc. It is not planned and nobody prepares for it. This is used widely when the labour market is tight and when one needs workers in large numbers.

2. **Formal Interview:** Formal interviews may be held in the office by the managers in a more formal atmosphere, with the help of well structured questions. Here the time and place of the interview will be predetermined by the interviewers itself.

3. **Non-directive Interview:** Non-directive interview also known as unstructured interview is designed to let the interviewee speak his mind freely. The interviewer has no pre-decided formal questions, but his whole attention is towards the candidate. Questions emerge as the discussions between the interviewers and the candidate proceed. He encourages the candidate to talk by urging whenever he is silent.

e.g. "Ms. Surabhi, please tell us about yourself after you graduated from high school". The idea is to give the candidates complete freedom to "speak" themselves, without the burden of the interviewer's questions. Here, the interviewer must have high level of patience and skills and must guide and relate the information given by the applicant to the objective of the interview.

4. **Depth Interview:** Depth interview is designed to deeply examine the candidate's background and to go into considerable detail on particular subject of an important nature and of special interest to the candidates. This is a kind of semi-structured interview.

For example, if the candidate says that he is interested in reading books, a series of questions may be asked to test the depth of understanding and interest of the candidate. These questions must be asked tactfully with exhaustive analysis.

5. **Stress Interview:** Stress interview is designed to test the candidate's behaviour under conditions of stress and strain. In such interviews, interviewers create stressful situation for the candidate. This situation can be created in a number of ways- by asking questions too rapidly, criticising

the candidate's answers and his manner of answering, interrupting him frequently, and so on.

E.g. the interviewer may start with "Mr. John, we do not think your qualifications and experience are adequate for this position," and watch the reaction of the candidates.

A good candidate will not panic; on the contrary he may prove that how he is qualified to handle the job.

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6. **Group Interview:** It is designed to save executive's time. In group interview, candidates are brought together in the employment office and interviewed. It is done to analyse the candidate's confidence.
7. **Panel Interview:** In such kind of interview, a panel or interviewing board or selection committee may interview the candidate. All the interviewers belong to different fields of specialisation so that all technical and behavioural skills of candidates may be probed fully during the interview process. This type of interview pools the collective judgment in the assessment of the candidate.
8. **Telephonic Interviews:** These types of interviews are held on telephone where interviewers have a copy of the resume and points that are to be discussed with the candidates. Certain precautions while giving the telephonic interview are as follows;
 - If you are on your home telephone, make sure that all room-mates or family members are aware of the interview (no loud stereos, barking dogs etc.).
 - Speak a bit slower than usual.
 - It is crucial that you convey your enthusiasm verbally, since the interviewer cannot see your face.
 - If there are pauses, do not worry; the interviewer is likely to be taking some notes.

5. **CHECKING OF REFERENCES :** Most of the time employers ask the candidates about their names, addresses, and telephone numbers of references for the purpose of verifying information. Another important reason is to gain additional background information of the applicant. Previous employers, known public figures, university professors, neighbours or friends can act as references. Previous employers are preferable because they are already aware of the applicant's performance. Organisations normally seek letters of reference or telephonic references.

6. **PHYSICAL EXAMINATION :** After checking the references of candidates, the candidate is required to undergo a physical fitness test. This is carried out to ascertain the physical standards and fitness of prospective employees. When the prospective candidate is declared fit after the physical examination, he or she would be given his /her appointment letter. The results of the medical fitness test are recorded in a statement and are preserved in the personnel records.

There are several objectives behind a physical test.

1. Most prominent reason for a physical test is to detect if the individual carries any infectious disease.
2. Secondly, the test assists in determining whether an applicant is physically fit to perform the work.

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3. Thirdly, the physical examination information can be used to determine if there are certain physical capabilities, which differentiate successful and less successful employees.
4. Fourth, medical check-up protects the applicants from undertaking work that could be detrimental to them or might otherwise endanger the employer's property.
5. Finally, such an examination will protect the employer from workers compensation claims that are not valid because the injuries or illness were present when the employee was hired.

7. **APPROVAL BY APPROPRIATE AUTHORITY** : All the candidates selected by the board have to be approved by the appropriate authority under which they have to work.

E.g. an engineer candidate has to be approved by production manager after being selected by the personnel department.

8. **FINAL SELECTION** : The next step in the selection process is offering the job to those applicants who have crossed all the previous hurdles. Final selection is made through a letter of appointment. Such a letter generally contains a date by which the appointee must report on duty. The appointee must be given reasonable time for reporting.

9. **EMPLOYMENT CONTRACT** : Another most important step in selection process is to make aware about the contract with the candidate. This contract contains vital details about the candidate, which are authenticated and attested by him/her. The basic information that should be included in a written contract of employment will be:

- 1) Job title
- 2) Duties and responsibilities
- 3) Date when continuous employment starts and the basis for calculating service.
- 4) Rate of pay, allowance, overtime and shift rates, method of payments.
- 5) Hours of work including lunch break and overtime and shift arrangements.
- 6) Holiday arrangements:
 - i.) Paid holidays per year.
 - ii.) Calculation of holiday pay.
- 7) Grievances procedure (or reference to it).
- 8) Disciplinary procedure (or any reference to it).
- 9) Work rules (or any reference to them).

10. **EVALUATION** : The last step of selection process is the evaluation phase. The effectiveness of the selection process is evaluated on the basis of the quality of the personnel hired. Periodic audit helps to evaluate the effectiveness of a selection programme. People who work independent of HR department must conduct audit.

RECENT TRENDS IN SELECTION

New trends have been emerging in selection techniques along with other areas of human resource management. The recent trends in selection include:

Check Your Progress

- 1) Name different online job sites.
- 2) What do you learn after reading this case study?

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- (i) **Selection by Invitation:** Management observes the performance of key executives of competitors. If the performance of the key executives is excellent or the key executives are change agents, the management invites such executives to join the organization by offering attractive salary and benefits. Thus, the significant performance of the executives forms basis for selecting them by invitation.
- (ii) **Leasing:** Presently, the organizations need to employ specialists to take-up the highly skilled jobs. In fact, the changes in technology demand highly skilled employees. It would be very difficult to small organizations to employ the skilled employees as they demand high pay. Added to this employees may not have enough work. These factors enabled the consultancy organizations to employ experts and depute these employees to the needy companies on lease. These consultancy organizations are principal employees and the needy organizations draw the required employees from the pool on lease and pay the agreed fee to the consultancy firms. The consultancy firms pay the salary to the employees.

This type of arrangement is beneficial to the consultants, employees on lease and the industrial organizations. The business organizations can utilize the services of the experts with less cost. The employees get high pay and benefits. The leasing company derives surplus from its charges and fees.

- (iii) **360° Selection Programme:** Normally superiors administer the selection tests and interviews. They judge the fit between the job and the candidate. But the employee skills, knowledge and performance affect not only superiors our also subordinates and the employees of the same level. Hence, the organizations started employment test and interviews. This type of selection programme is called 360° selection programme.

FACTORS AFFECTING SELECTION DECISIONS:

The goal of selection is to sort out or eliminate those judged unqualified to meet the job & organizational requirements where as the goal of recruitment is to create a large pool of persons available & 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 tern are:

- (1) **Profile Matching:** Tentative decision regarding the selection of candidates (who are known) is taken in advance. Possible care is also taken to match the candidate's bio-data with the job specifications.
- (2) **Organizational & Social Environment:** Some candidates, who are eminently suitable for the job, may fail as successful employees due to varying organizational & social environment.
- (3) **Successive Hurdles:** In this method, hurdles are created at every stage of selection process.
- (4) **Multiple Correlations:** Multiple correlations is based on the assumption that a deficiency in one factor can be counter, balanced by an excess amount of another.

Model Checklist for and it or the Selection Programme

- (1) Analysis of programme
 - (i) Is the selection programme consistent with human resource management theory and practice?

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- (ii) Have well-defined selection policies and procedures been developed?
 - (iii) Are the employment policies consistent with public policy?
 - (iv) Do the wage levels, fringe benefits, and level of employee satisfaction within the organization have a beneficial effect upon the ability to attract and retain good employees?
- (2) How adequately are the programme and its procedures communicated to all those involved in and affected by it?
- (3) How well is the programme implemented?
- (i) Have those entrusted with carrying out the employment programme been adequately trained?
 - (ii) Does the performance of the programme match the stated goals?
 - (iii) Are policy and procedure manuals developed and utilized?
- (4) Feedback:
- (i) What image has been created in the minds of university and institute placement officers, and public and private employment agencies by the approach adopted by the company in conducting its hiring programme.
 - (ii) Have recently hired employees and rejected the applicants been surveyed to gauge the type of treatment they have received in the selection process?
 - (iii) How many persons have rejected the company as a poor place to work because of low wages, a poor reputation and so on?
- (5) Analysis of result
- (i) How well do those hired perform on the job?
 - (ii) What percentage of those who apply are hired?
 - (iii) Of those hired what percentage are discharged during the probationary period? What percentages resign because the job and employment conditions were misrepresented to them?
 - (iv) What portion of employee turnover can be attributed to faulty selection?
 - (v) What contribution does each of the selection tools make to the programme? How well do the predictions from each of the selection devices been properly validated?

RECRUITMENT & SELECTION POLICIES

Selection Policy

The selection procedure is essentially a series of methods of securing pertinent information about the applicant and qualifying him/her as a potential candidate with as close fit as possible to the job criteria. At each step in the selection process the objective is to learn more about the candidate and evaluate him against the job requirements. The information obtained can then be compared with the job description/specification. If the applicant qualifies, he or she advances to the next step. Sometimes organizations might evaluate information from multiple selection tools simultaneously to eliminate or qualify a candidate to the next round in the selection process. Thus, the job specification and the job applicant are interrelated at each step in the selection procedure.

Recruitment Policy

Once the HRP process has concluded with the determination of human resources requirements for the year ahead, the recruitment and selection process can begin.

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Very often, recruitment is misunderstood as filling a current vacancy. Increasingly organizations are focusing on recruitment and selection process to hire a high potential candidate who the management expects to become important in the future scheme of things. Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization. It is often termed "positive" in that its objective is to increase the selection ratio, that is, the number of applicants per job opening.

RECRUITMENT PRACTICES IN INDIA

The different sources for recruitment in India have been classified thus: (i) Within the organization; (ii) Badli or temporary workers; (iii) Employment agencies; (iv) Casual Callers; (v) Applicants introduced by friends and relatives in the organization; (vi) Advertisements; and (vii) Talent contractors.

Dale Yoder and others point out: "Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force". In terms of Stahl, recruitment is the corner stone of the whole human resources structure.

Recruiting sources as discussed above should be periodically evaluated. Some common metrics used are, cost per applicant, the applicant/ hiring ratio, tenure, performance appraisals, etc. Recruiting should take into consideration ethical practices, such as use of "truth in hiring" i.e., telling an applicant all about the firm and its position, both good and bad, to enable him to decide whether or not to join the firm, is selected.

A successful and effective recruitment programme necessitates a well-defined recruitment policy, a proper organizational structure, and procedures for locating sources of manpower resources, suitable methods and techniques for utilizing these and a constant assessment and consequent improvement. Often organizations have a clearly laid down process document for recruitment to ensure that quality hiring take place.

All public sector enterprises are required to consider candidates sponsored by the Employment Exchanges and, in most cases, confine the selection to these candidates. However, the private sector is not under any such formal obligation. Under the Apprentices Act, 1961, young craftsmen having received pre-employment training in Industrial Training Institutes have to be employed by 'specialized' industries during training period as a percentage of the total number of regular employees. Reservation of 25% of vacancies for Scheduled Castes and Scheduled Tribes candidates and preferential treatment of displaced persons is a part of statutory requirement of Government and-public sector employment in India.

The question of preference to "Sons of the Soil" i.e., local population in the matter of employment within the local area has, of late, assumed a complex character. In this connection, the National Commission on Talent has observed: "The solution has to be sought in terms of the primary of common citizenship, geographical mobility and economic feasibility of locating industrial units, on the one hand, and local aspiration on the other."

The recruitment of managerial human resources in most organized industries is generally by promotion from within the organization. Some industries first recruit a number of young people as management trainees and groom the ones with high talent potential to take on senior roles and responsibilities. However it is also common in organizations to hire managerial talent from outside, if sufficient internal candidates are not available. External candidates enable an organization to bring in more industry knowledge and talent and keep the organization young and creative. The large and growing organizations enlist with and compete aggressively to woo

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talent from premier institutions such as the Indian Institutes of Technology, Indian Institutes of Management and from Universities offering MBA courses to obtain the best of talent.

In the Indian organization where interviews are one of the most popular methods for selection, one of the key challenges is the availability of skilled interviewers. Managers are mandated to undergo training for effective interviewing skills and often need to be certified before they can interview and qualify candidates for a job/position.

A CASE STUDY

Recruitment sites woo first-time job seekers

By Anjali Prayag

"Travelling across the country for campus hiring has become an expensive process and companies were looking for alternatives."

Bangalore, May 11 The campus recruitment process, which had fallen into a pattern in the last few years, has taken a new turn this year.

While some of last year's recruits are yet to receive their joining dates, thanks to the slowdown, students passing out this year will see little activity in the campus placement process.

Turning this slump into a business opportunity, online job sites are focusing their services on this new category of users.

Naukri.com is beta testing Firstnaukri.com, a job site targeted at graduates ready for the job market in 2009.

Mr Hitesh Oberoi, COO, Naukri.com, told Business line that this was in response to clients requesting Naukri to help them in campus hiring. Moreover, travelling across the country for campus hiring has become an expensive process and companies were looking for alternatives, he said. About 25 companies have already registered and 20,000 CVs have been posted on FirstNaukri.com, said Mr Oberoi. Several institutes are interested in registering their students' profiles on the site.

"This kind of campus-to-corporate online network will help companies reach out to a greater number of students," said Mr Srinu Krishnamurthi, Managing Director, Expertus, a training outsourcing firm that has just launched a job portal for engineering graduates. From a career point of view, typical job sites do not work well for freshers as their needs are different. "Seniors have social networking sites that help them in connecting with people. That's why we decided to launch c2c.com where students can participate in blogs and forums and get news about the industry, and who's hiring."

To help freshers, JobStreet India is adding a bunch of skill tests in Test Bench, a job seeker self-assessment product in its portfolio, said Mr. Anand Iyer, CEO, Jobstreet India.

This product offers aptitude and skill tests which job seekers (most of the time freshers) would find useful to assess their current competencies at their own pace, and choose to take remedial measures to become better qualified in the shrunken job market, said Mr Iyer.

Friendly portal for job seekers

By G. Naga Sridhar

Hyderabad, March 23. If you are one of those who lost your job due to recession, here is some good news. There are "friends" who wish to help you find a job soon.

What you need to do is post your CV on www.asksaurabh.com, a portal set up by Pune-based Mr. Saurabh, who recently lost his job in Yahoo, along with his friends Mr. Anthony, Mr. Iqbal Gandham and others.

At the very outset, the portal lists three rules: no job consultants, no fake jobs/profiles and no charges for matchmaking. It also asks the users upfront to "kindly respect the three rules of this free service."

One can post CV and jobs in a wide range of areas such as design, engineering finance, general, HR, quality assurance, testing and software development, among others.

"Our philosophy is simple, if we can help one person get back into a job, our Web site would have done its job," Mr iqbal told Business Line. Asksaurabh is not allowing recruitment agencies to post, and there is no charge for posting.

SUMMARY:

- Recruitment is a process concerned with the identification of sources from where the personnel can be employed and ensuring the placement of right personnel at right place.
- Selection is the process of picking individuals (out of the pool of job candidates) with requisite qualifications and competence to fill job in the organization.
- Selection is the process of examining the applicants with regard to their suitability for the given job or jobs, and choosing the best from the suitable candidates and rejecting the others.

ANSWERS TO 'CHECK YOUR PROGRESS'

1. Recruitment is a process concerned with the identification of sources from where the personnel can be employed and ensuring the placement of right personnel at right place. It is a process for obtaining correct number and quality of employees that can be selected in order to help the organization to achieve its goals and objectives.
2. There are 3 types of recruitment needs arising in the organization.
 - (a) **Planned:** Needs arising from the changes in the organization and retirement policy are called planned needs of recruitment.
 - (b) **Anticipated:** Anticipated needs are those movements in personnel which an organization can predict by studying trends in internal and external environment. Example: Attrition rate of young generation.
 - (c) **Unexpected:** Incidents like resignations, deaths, accidents and illness often give rise to unexpected needs.

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3. Selection is the process of examining the applicants with regard to their suitability for the given job or jobs, and choosing the best from the suitable candidates and rejecting the others. Thus, selection is negative in its application in as much as it seeks to eliminate as many unqualified applicants as possible in order to identify the right candidates.
4. The recent trends in selection include:
 - (i) Selection by Invitation
 - (ii) Leasing
 - (iii) 360° Selection Programme

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QUESTIONS:

- 4) What is Recruitment? Explain various steps of Recruitment Process.
- 5) Explain various methods of contacting sources for Recruitment.
- 6) Define Selection. What is the difference between Selection and Recruitment?
- 7) Describe various types of interviews.

FURTHER READING

- HRM: John Sterdwick
- Human Resource Management: L. M. Prasad

5

Orientation and Induction

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The Chapter Covers :

- **SOCIALISING THE NEW EMPLOYEE**
- **ORIENTATION OR INDUCTION**
- **A Case Study**

Learning Objectives:

After going through this chapter, you should be able to:

- **To better understand the different types of organizational socialization.**
- **To better understand how organizations approach the process of socialization.**

INTRODUCTION

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Whenever there is an entry of new person in the organization, he is firstly taken for an orientation program related to the organization and its entities. This is because every new person is a stranger and an unknown identity for the organization. He is unaware about the culture and climate of the organization; hence, he may experience lots of difficulties and complications. These complications may be related to his work or work environment. He might feel anxious about:

- Whether he will be accepted by his colleagues and other peer group.
- Who will supervise his work and whether it will be up to the acceptable level or not.

Such types of problems create a lot of stress in the mind of the employee and he might get very much depressed. This may ultimately leads to reduction in his working ability and his effectiveness. Therefore, to overcome such problems, organizations have adopted few methods which help the new recruit to feel free and relaxed about the organization. Two methods commonly followed by the organizations are socialization and orientation of new employees.

SOCIALIZATION

Socialization is a term which is derived from Sociology, which means how an individual adjusts himself to the social situations in order to become a functional member of a group as per its standards, modes and traditions.

In the context of organizations, socialization means a process that takes place when new employees attempt to learn and follow norms and values of their work profile in the organization. This is an essential process so that all the new recruits are properly adjusted in the work environment of the organization.

Features of socialization

- **Essential process** : Socialization is considered as an essential process in the organization because it helps the new employees to become familiar with the existing norms and values of the organization. Therefore, they feel less stressed and work without any kind of tension.
- **Adaptive process** : Adaptive means to become accustomed with the established norms and traditions. Socialization helps the employees to get accustomed with the organization's rules and procedures.
- **Informative process** : It is the process of delivering the information about an organization's culture and climate. It deals in communicating the values and ethics that governs the organization from its inception.

Assumptions for employee socialization

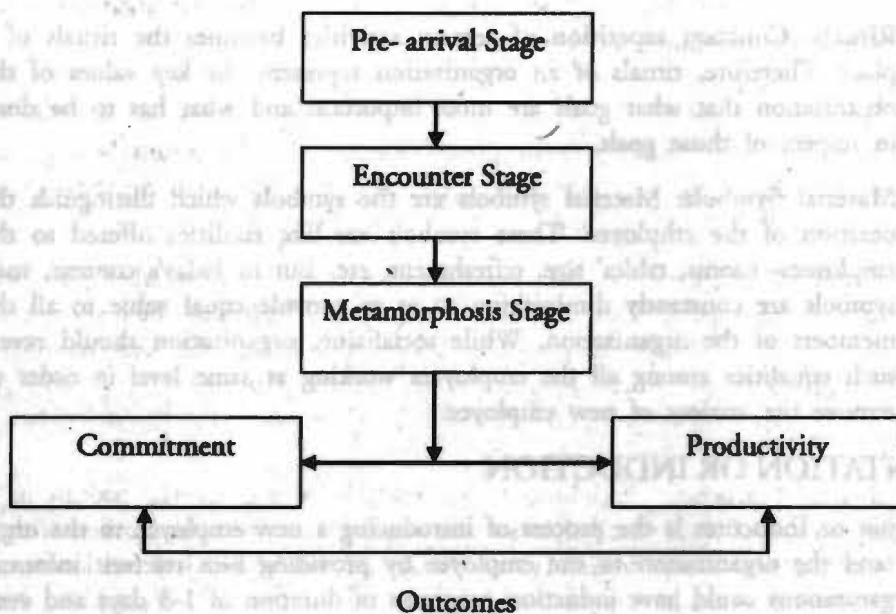
1. **Effect of Socialization on employee's performance and Organization:** The basic assumption for socialization is that it affects the employee's performance and its effectiveness. The performance of employee is correlated with his awareness about the job profile and work situations. Socialization helps in understanding the employee about the correct way to do his job. Hence, his effectiveness increases after the process of socialization.
2. **Anxiety of new employees:** Anxiety is a state of mind in which an individual experiences uneasiness with fear and doubt. Whenever a new employee joins the organization, he remains in such kind of anxiety and stress. Hence, there

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is an assumption that proper socialization helps in removing the anxiety of new recruits.

3. **Socialization not in vacuum:** Vacuum means space or emptiness. Socialization is a process which does not occur in a vacuum. It requires certain supporting elements. Just informing about the job description does not mean socialization. It is influenced by various elements like management hierarchy, other departments, colleagues' statements and their respective behaviors. Socialization is assumed to be effective only if all such elements behave in desired.
4. **Similarity in adjustment to new situation:** Another important assumption in socialization is that people should react in a similar way so as to adjust themselves in critical situation. At the time of socialization, it is assumed that after gaining the relative information, new employees should collectively participate and try to adjust with established norms and regulations.

Process of Socialization



Pre-arrival Stage :

This stage of socialization process pre-supposes that each new entity in the organization carries its own set of values, norms and expectations. These ideas are supplemented with what they learn from their friends and other sources. Also, at the time of recruitment, most of the organizations deliver job previews and organization's structure.

Encounter Stage :

Encounter stage is the second stage of socialization process. In this stage, the new recruit confronts the realities of the organizational situations. He faces the actual scenario of the job and job environment. He meets new people like his superiors, colleagues, subordinates, etc. In such a situation, if the expectations of the new employee match with the organization culture, then he promptly adjusts himself. In case, he is not appropriately tuned with the culture, then he must undergo the process of socialization. This will help him in coming off from his previous expectations and assumptions and replace with another set which are necessary to adjust in the new environment.

Check Your Progress

1. Define socialization
2. What is encounter stage of socialization?

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Metamorphosis Stage :

Last step of socialization process is this stage in which the new employee works out on the problems discovered during the encounter stage. He reconciles with the values and norms of the organization and brings necessary changes in his role behavior to suit them. Socialization process ends with the following outcomes:

1. Feeling of competence in the new employee for the job
2. Feeling of commitment to the organization, and
3. Feeling of confidence about himself

Methods of Socialization:

- **Stories:** Circulation of informal and oral narration of events about the organization events, inception, norms, etc is a common method of socialization. This can also be known as story narration method. These stories reflect the factual side of the organization rather than what has been written in organization documents.
- **Rituals:** Constant repetition of certain activities becomes the rituals of a place. Therefore, rituals of an organization represent the key values of the organization that what goals are most important and what has to be done in respect of those goals.
- **Material Symbols:** Material symbols are the symbols which distinguish the position of the employee. These symbols are like facilities offered to the employees- rooms, tables' size, refreshment, etc. But in today's context, such symbols are constantly diminishing so as to provide equal value to all the members of the organization. While socializing, organization should reveal such equalities among all the employees working at same level in order to remove the anxiety of new employee.

ORIENTATION OR INDUCTION

Orientation or Induction is the process of introducing a new employee to the organization and the organization to the employee by providing him relevant information. Organizations could have induction programs of duration of 1-3 days and even up to 1/3/6 months.

Billmoria has defined orientation as follows:

"Induction (orientation) is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies, and purposes of the organization."

Information that should be provided to a new employee depends on the organizational practices. A formal orientation program may contain following types of information that is communicated to new recruits:

About the Organization

- Mission and philosophy
- Objectives
- Product lines
- Organization structure
- Key functionaries
- HR policies and rules
- Training and development
- Promotional avenues
- Pay scale and pay day
- Vacation and holidays
- Leave rules
- Disciplinary procedure

- Provident funds
- Insurance benefits'
- Gratuity benefits
- Retirement benefits
- Rehabilitation programmes
- Introduction to supervisors
- Co-workers/officials
- Subordinates
- Job duties:
 - Overview of job
 - Relation to other jobs
 - Office timing and breaks

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Need for Orientation

1. **Overcoming Employee anxiety :** To overcome the anxiety of new employees, orientation program has become a necessity.
2. **Overcoming reality shock :** Whenever an employee joins an organization, his desired expectations may not always get fulfilled. So in order to remove such dissatisfactions, orientation of an employee is required.
3. **Accommodating employees :** Orientation helps in accommodating the new employees with existing employees by developing understanding various aspects of job which he is expected to confront.

Objectives of Induction:

Common objectives of an Induction program can be listed as covering:

1. Overview of the organization, its history, its hero's and important stories in the life of the firm so far like mergers, acquisitions, JV's, expansion in new countries etc...
2. Organization Vision / Mission and Objectives statement, its structure, hierarchy of the top and the senior management, structure of the teams/divisions, focus on the division the employee/s is/are joining
3. Overview of the HR policies and processes and introduction to. the Facilities team, IT team and other relevant teams per the location of joining.
4. Handover to the manager and induction at a team level on specificities related to the job and its responsibilities.

Organizations also build processes by which the new employee provides feedback on the on boarding experience and use this information to improve the Induction process. In as much as various firms report that over half of their voluntary resignations occur within the first 6 months, proper orientation can do much to reduce this problem and its accompanying costs.

- Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization.
- Recruitment or manpower selection process is the first step in the employment of talent
- Sources for recruiting should be periodically evaluated. A successful and effective recruitment programme necessitates a well-defined recruitment policy, a proper organizational structure, and procedures for locating sources of manpower resources, suitable methods and techniques for utilising these and a constant assessment and consequent improvement.

Chapter 5:

Organizational socialization is the process by which employees learn about and adapt to new jobs, roles, and the culture of the workplace. Early socialization factors may

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indicate a new employee's job satisfaction and it influences his or her longevity in the organization.

At the age of 22, Liz Ruggles has just accepted a prestigious, high-paying job, with Finer Food Inc. On her drive to the corporate office on her first day of work, Liz recalls her experiences during the grueling process and is determined to turn her nervousness into positive energy. Day one of Liz's experience takes place in a group session, with four other newly hired district manager trainees being welcomed by the Vice President of Finer Foods, Waden Winder.

Encouraged by the idea of a group training process, Liz leaves the office after day one, feeling overwhelmed, but excited to see what the next several days have in store for her. By the time her first week passes, Liz has attended the monthly district manager meeting, where she begins to question the motives behind what was once viewed as a positive group training process.

Overloaded and unfamiliar with the topics discussed in the district manager meeting, Liz continues to convince herself that her uneasy feelings are normal, and that her job satisfaction is sure to increase over time. A month into the training process, Liz is placed in a difficult context where she becomes confused about her role with the company, as well as who exactly is her direct supervisor. Buckling down, Liz journeys on to the point where she can finally see the end of her training program coming clear. With only one month of training left, Liz is offered a graduate assistantship to a prestigious university. Liz finds herself having to decide whether life will get better for her once she completes the district manager training, or would she be better suited resigning her position and attending graduate school.

Questions

1. How does the nature of a company's interviewing process play a role in the socialization of a newly hired employee? For example, a three month interviewing process vs. at one day event.
2. What do you think is the appropriate number of steps or days in interviewing process should have?

SUMMARY:

- Socialization is a term which is derived from Sociology, which means how an individual adjusts himself to the social situations in order to become a functional member of a group as per its standards, modes and traditions.
- Orientation or Induction is the process of introducing a new employee to the organization and the organization to the employee by providing him relevant information.

ANSWERS TO 'CHECK YOUR PROGRESS'

1. Socialization is a term which is derived from Sociology, which means how an individual adjusts himself to the social situations in order to become a functional member of a group as per its standards, modes and traditions.
2. Encounter stage is the second stage of socialization process. In this stage, the new recruit confronts the realities of the organizational situations. He faces the actual scenario of the job and job environment.

QUESTIONS:

- 1) What do you mean by Socialization? Explain various methods of Socialization.
- 2) What are the assumptions for employee socialization?
- 3) Write a short note on 'Orientation'.

The Chapter Covers :

- Rationale for Training in Organizations
- Features of Training
- Importance of Training
- Determining Training needs
- Process of Training
- Methods of Training
- Evaluation of Training Methods
- Methods of Evaluation
- Organizing the Training Department
- Staffing the Training Department
- Controlling Training
- Human Resource Development climate in India
- Human Resource Development Practices in India Industries - Trends
- A Case Study

Learning Objectives:

After going through this chapter, you should be able to:

- Define Training in an organization
- Understand Features, Objectives and Importance of Training
- Various Types and Methods of Training
- Responsibilities of Training Department
- Discuss on Human Resource Development Climate in India

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INTRODUCTION

How did you learn to tie a shoelace? How did you learn to cook? How did you learn about a new country you are planning to visit? Everything you know in life, almost everything, has been taught to you at some point of time. Parents, relatives, teachers in schools/colleges, friends and at work colleagues are usually the ones imparting the knowledge or skill that you need at every stage in life. In this unit we will spend time understanding the concepts that drive adult learning and skills training in organizations.

Every organization needs to have well-trained and experienced personnel to perform the tasks that need to be done. Today's organizations invest a lot of time, effort and resources on training the up-skilling (improving the skills) and even multi-skilling (having employee learn multiple skills). Traditionally training focus in organizations revolved around those employees who could not do a particular job well, or those planning to change a job. Inadequate job performance or a decline in productivity or changes resulting out of job redesigning or technological changes required training to bring about the desired shift in performance/behaviour. As the jobs become more complex, the importance of employee training also increases. Today increasing organizations are investing in employee training as a method to facilitate continuous learning, innovation, creativity and particularly managerial excellence training and development. Training is as much about employee development and to retain employee motivation and growth within the firm.

RATIONALE FOR TRAINING IN ORGANIZATIONS

Training to the world is not a new thing which was in existence since ancestral times. It could be even traced even in the Stone Age when people used to transfer knowledge through signs. In this fast changing world, use of computers and automatic machines has increased and hence the need of training is recognized as one of the most important organizational activity. Training is required to be given to the employees to keep them updated and make them more effective and efficient. All types of organizations need to have well trained, skilled and professional people to carry out multiple activities which are to be performed. In case the existing job occupants meet such requirement, then training may not be important. But if it is not the case, then training is very essential to raise the skill level; and increase the versatility of the employees. Training is also required to keep people adaptable to changes and make them more flexible.

Meaning of Training

The term, 'training' indicates any process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased. Usually training and development initiative in organizations have the following intentions:

- To improve skills,
- To add to the existing knowledge so that the employee is better equipped to do his present job, to innovate.
- To prepare him/her for a higher position, growth within the organization.
- Help organization cope with / adapt itself to a changing environment.

Training refers to the teaching/learning activities carried on for the primary purpose of helping employees in an organization to acquire and apply the knowledge, skills, abilities and attitudes needed by that organization. Broadly speaking, training is the act of increasing the knowledge and skill of an employee for the benefit of both the employee as well as the firm.

Training is a short term process entailing a systematic and organized procedure by which non- managerial personnel acquire technical knowledge and skills for a definite purpose.

a) According to Elmer. H. Burack and Robert D Smith,

"Training is planned, organized and controlled activity designed to express some aspect of present job performance. Training is skill oriented and it is usually intended for the short run welfare of the company. Training is also a key ingredient in the motivation of individuals. An untrained, unskilled employee feels very insecure lacking the self confidence necessary for comfortable group relations."

b) According to Prof. Milkovich and Prof. Boudreau,

"Training is a systematic process of changing the behavior, knowledge, and/or motivation of present employees to improve the match between employee characteristics and employment requirements."

In other words, training is a systematic learning process which helps in improving changes, moulds the employee's knowledge, skills, behavior, and aptitude towards the requirement of the job and organization. It is a function which boosts up the morale and motivates the workforce to perform efficiently and effectively. Training involves acquisition of skills, concepts, rules, procedures and techniques in order to uplift the value of the employees as well as the organization as a whole. Training helps in attaining productive and skillful employees.

FEATURES OF TRAINING

1. Increasing knowledge and skills for doing a job.
2. Bridges the gap between job needs and employee skills, knowledge and behavior.
3. Job- oriented process, vocational in nature.
4. Short- term activity, designed essentially for operatives.

OBJECTIVES OF TRAINING

The chief aim of learning for the manager is to increase his ability to learn from experience. The second aim is to increase his ability to help his subordinates learn from experience. According to Douglas McGregor, there are three different purposes of learning.

1. **Acquiring Intellectual / job-related Knowledge:** An electrical engineer may need more knowledge than he now possesses about circuit design. A new employee may require knowledge about company policies. A shop floor employee may need to be made aware of information about the new performance appraisal or compensation policy or changes to it. The acquisition of knowledge therefore is a fairly straight-forward process provided the individual wants the new knowledge. However, if he does not want the knowledge, there is little doubt that training will fail. Creating a self-driven need for knowledge is fundamental to employee learning.
2. **Acquiring Manual Skills:** The acquisition of a manual skill requires practice or experience along with feedback. While learning can happen in a isolated self-learning mode, it can be significantly speeded up by guidance and theoretical knowledge imparted by experts. The end objective remains that the employee be able to execute the skill effectively back on the job. Learning

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is enhanced when the employee receives clear feedback which tells him about the success of his efforts. The necessary effort will be expanded only if there is a felt-need on the part of the learner.

3. **Acquiring Managerial Skills:** Much of a manager's work is managing people and solving problems. These include organizing his own and his team member's work activities, and planning for a wide range of other decision-making responsibilities. These skills include diagnosing problems, interpreting relevant data, assessing alternative solutions and getting feedback concerning the effectiveness of the solution. These skills can be improved through classroom training.

As with any skill, practice and feedback are essential for learning. The most widely used classroom method for improving the problem-solving skills is the case method. In the hands of a skilful teacher, it can be highly effective.

IMPORTANCE OF TRAINING

1. **Reduction in cost of production:** - Through training employees become efficient in their work and hence they make the maximum utilization of resources available to them.
2. **Minimum possibility of accidents:-** Trained workers are aware of the methods and procedures to carry out their work efficiently. Therefore, training reduces the possibility of accidents.
3. **High morale:-** Training helps in raising the morale of the employees in two ways. Firstly, trained employees understand their work process and do it efficiently. Secondly, due to efficient performance they give better performance and hence get rewards for the same.
4. **Minimum need of supervision:-** By training workers get to know their work procedure and thus do their work themselves efficiently. This reduces the need of supervision.

Difference between Education and Training

1. **Meaning:** Training and education are both different facets of learning. Training is concerned with the teaching of specific, factual, subject matter and skills. It is a formal classroom learning activities. Development is concerned with a broader subject matter of a conceptual or theoretical nature and the development of personal attitudes. It comprises all learning experiences, both on and off the job, including formal, classroom training. Education, primarily, involves the presentation of material by the faculty to students who are learning about the subject matter. The material being studied is fundamentally well known material. Those activities known as teaching and training are included in this category. Learning is the process of acquiring knowledge or skill through study, experience or teaching. It is a process that depends on experience and leads to long-term changes in behavior potential. Behavior potential describes the possible behavior of an individual in a given situation in order to achieve a goal.
2. **Methodology:** Training - is usually done through specialized courses and textbooks. The learning can often be done by rote and textbooks are very prescriptive. Training generally comes in a course; when the course is completed, the training is done. Education - is a lifelong process. Most educational learning is done through real books, rather than textbooks. The learner is encouraged to think and write about what he is reading. Any point is open

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to discussion and the only right answers are those that can be found in the text.

3. **Need:** Training is a needs driven process that is typically directed to the learner by an organization. The needs for training are usually driven by an organization and not by the learner. The organization identifies a situation where the learner is required to attain new skills or behaviors supporting skills. The training is usually focused specifically on what has been identified as a gap or an opportunity for the organization to assist in the development of the learner, involving less theory, the training objectives focus on skills which the learner is required to learn. The needs and performance objectives of training are related to completing tasks or doing a specific job or learning specific skills within an organizational setting.

Education is also a needs driven process. The needs for education are self-directed by the learner differing from training where the organization directs the learning. The needs for education can be described as an intrinsic need of the learner, where the learner wants to learn for their own perspective. Education encompasses many areas including skill development. Through education the learner is provided with theory, information and the critical thinking skills. Education helps the learner to build problem solving skills. The objective of educational classes or of self-education is usually to gain knowledge about facts, events, principles, concepts.

In most classes the student is required to demonstrate the memorization of facts and the association between concepts. In other classes, they must apply rules to solve problems. Testing concerns memorization and understanding, plus perhaps analytic and problem solving skills.

Summary:

1. Education focuses on creating lifelong independent thinkers whereas training focuses on skills sought after by employers.
2. Training has its roots in the guild system while education's origins lie in universities.
3. Training uses textbooks and prescriptive methods.
4. In today's universities highly specialized areas of training are being passed off as education.

DETERMINING TRAINING NEEDS

Training is an integral activity of management development process. Before conducting the actual training program, it is essential to analyze the training needs. Training needs identification is done on the basis of the organizational goals and objectives. Training need assessment diagnoses the present problems and the future challenges to be met. It involves identification of those areas where the employee lacks to deliver the best out of him. Training needs analysis helps in determining whether suitable resources required are available or not. This analysis highlights the areas and occasions where training is required. The need to train is felt in organization where there is a performance gap.

Performance gap is the difference between present level of performance and required level of performance:

McGhee and Thayal have proposed a model of training needs identification which comprises of mainly three components:-

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1. **Organizational analysis:** - organizational analysis focuses on a comprehensive analysis of organizational needs, goals, processes and procedures. The main focus of this analysis is on strategic planning of the organization. While organizing the organizational need, there are two aspects to taken care of. First, is the external environment and second is internal environment. External environment comprise of various opportunities and threats where as internal environment constitutes strengths and weaknesses. Through SWOT analysis, weaknesses can be dealt with training interventions; while strengths can be further strengthened with continues training.
2. **Task analysis:** - It is also known as operational analysis. It involves systematic and detailed analysis of the job profile assigned to people. The analyst collects the information as to whether the job assigned to the employees is understood to them or not. In task analysis, training needs are analyzed through the nature of job and its requirements. In today's scenario, jobs are dynamic in nature. Hence it is the duty of the analyst to assess regularly both the job duties and the employee's performance.
3. **Individual analysis:** - The most complicated analysis among all three analyses is the individual analysis. It is also called Man analysis. It is more complicated because of uncertainty in the behavior of human beings. While identifying the training needs, every single employee has to be focused. It has to be checked that all workforce delivers the required level of performance on proper time with available resources. The judging aspects are skills, abilities, aptitude, and knowledge of the employees.

Factors indicating training needs

1. Training has been necessitated due to increased use of technology in various aspects of production, distribution, marketing, etc.
2. Training needs arise when there is new recruitment to cope with growth situations
3. For reducing grievances and minimizing accident rate.
4. To improve efficiently and productivity.
5. Training need arise when new product lines are introduced, or changes have been brought about in the product design, volume of the business, etc.

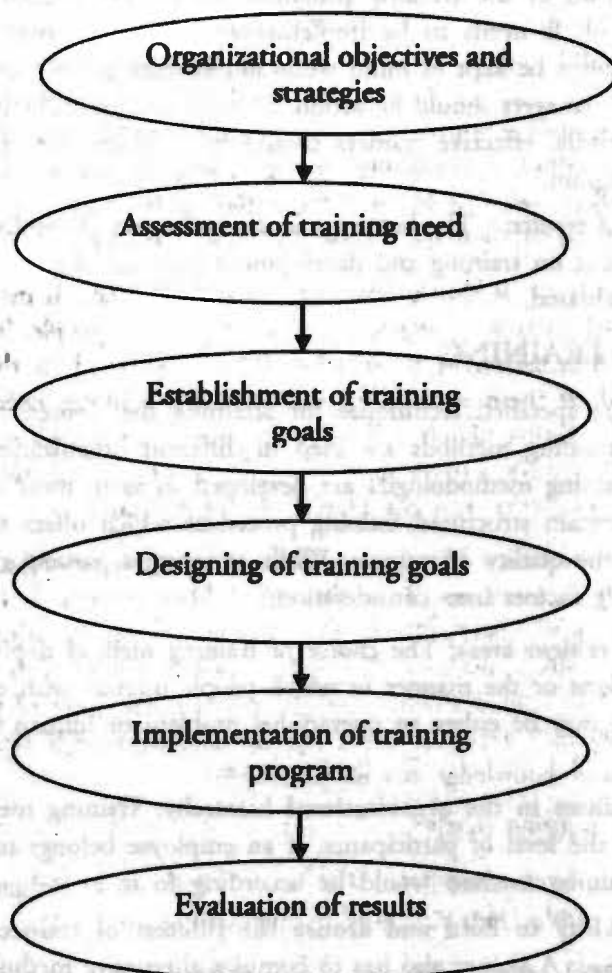
TYPES OF TRAINING

1. **Orientation:** induction or orientation training is for comforting the new recruits to put them at ease and making them aware of everything about work job organization structure norms, values, rules and regulation and technique required.
2. **JIT job instruction training:** JIT is given to employees for giving them necessary instruction about new technology of job.
3. **Refresher Training:** This kind of training is given to accommodate rapid change in technological knowhow and new invention in form of short term courses or training programmes.

4. **Apprenticeship Training:** Here some apprentices spend a prescribed time of working with an expert & experienced worker as trainee.
5. **Vestibule Training:** It is training offered on actual equipment used on job but conducted away from actual work.

PROCESS OF TRAINING

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Let us discuss all the points in detail now:-

1. **Organizational objectives and strategies:** - The first step in training process in an organizational is to identify the organizational objectives and strategies. What company is dealing in? Where we are? What level we have to achieve? Where the company wants to be in future? After analyzing all such related questions and finding the most optimal solution, the organization would be able to identify the strengths and weaknesses of its human resource.
2. **Assessment of training needs:** - Assessment of training needs means identification of those areas where the employee lacks to deliver the best out of him. It helps in determining whether suitable resources required are available or not.
3. **Establishing training goals:** - After the assessment of training needs, training goals must be determined. Goals are required to conduct effective training schedule and its implementation.
4. **Designing training and development programs:-** Training program addresses following issues-

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- i. Who will participate in program?
- ii. Who are the trainees?
- iii. What methods and techniques are to be used for training?
- iv. What should be the level of training?
- v. Where will the program be conducted?

5. **Implementation of the training program:-** Once the training program has been designed, it needs to be implemented. There are two things which should be always be kept in mind while implementing the training program. First is that managers should be action oriented and take all kind of training efforts. Secondly, effective trainers should be available for conducting the training program.
6. **Evaluation of results:** - The last stage is the evaluation of results. As so much money is spent on training and development program, the results should be correctly evaluated.

METHODS OF TRAINING

Training methods are specified techniques for attaining the desired training goals. Different types of training methods are used in different organizations. In recent times; many new training methodologies are developed so as to meet specific needs. Every method has certain structured training procedure which offers relative advantages in developing the quality of trainees. While adopting a particular method, one has to take following factors into consideration:

1. **Nature of problem areas:** The choice of training method depends upon the task to be done or the manner in which people interact with each other i.e. the problem may be either an operational problem or human relation problem.
2. **Level of trainees in the organizational hierarchy:** Training method also depends upon the level of participants. If an employee belongs to worker class then the training method would be according to it.
3. **Method's ability to hold and arouse the interest of trainees during the training period:** A trainer also has to consider alternative methods of presenting training material to participants from the point of view of their ability to stimulate interest and facilitate retention of the matter.
4. **Availability of competent trainers:** A training method is as effective as the ability of the trainer. Therefore, before undertaking a training programme, a competent trainer to conduct the training programme, has to be identified.
5. **Availability of finance:** While selecting a training method, one must pre-determine its relative cost and finance. To make a training programme effective, adequate finance is required.
6. **Availability of time:** Training cannot be conducted in a hurry. Organization must select its training method as per the available time and resources.

On the job training method

This method is most frequently used in small organizations. This method uses more knowledgeable, experienced and skilled employees so as to render effective training to their juniors. This type of training is delivered quite often at workplace in an informal manner. However it can be transferred in classroom also.

Some characteristics of On the job Training method are:-

1. It is done with no formal procedure.
2. Training programme is not well planned.
3. Trainers are selected on the basis of their expertise.

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There are four techniques of On the job Training method:

1. **Coaching Method:** Coaching method is considered as a corrective method for inadequate performance. According to a survey conducted by International coach federation (ICF), more than 4000 companies are using coaches for their executives.

Advantages of coaching:

- a) It is highly economical
- b) It is suitable for the companies where there are employees/trainees are large in numbers.

Disadvantages of coaching:

- a) There is no formal and tested training programme hence it might leads to haphazard instruction.
- b) Through this method skills might not develop fully

2. **Job rotation:** - in job rotation, management trainees are made to move from one job to another at certain intervals. The main purpose is to broaden the knowledge of the trainees. This also leads the trainees to gain experience concerning skills and knowledge.

3. **Mentoring:** It is a continuous relationship that is developed between a senior and a junior employee. Mentoring helps in rendering guidance and clear vision to the employees so that organization does not deviate from its original mission. It basically focuses on attitudinal development and is generally conducted for management level employees.

4. **JIT- Job instruction training:** This method is also known as 'training through step by step learning' as all necessary steps in the job are listed. These steps show 'what' is to be done. Each step has a corresponding 'key points', how it is to be done and why.

Process of job instruction:

- a) Preparation of the trainee for instruction like giving general description of job duties.
- b) Presentation of instruction giving essential information in a clear manner.
- c) Having the trainer try out the job.
- d) Encouraging the trainee to ask frequent questions.

Off the Job training method :

Under this method of training, the trainee is separated from the job situation and his attention is focused upon learning the material which relates to his future job performance. In this kind of training method, employee is not considered as direct productive worker during the training period. It gives a benefit to the worker to get away from the work and concentrate on training only.

Some of the Off the Job training methods are:-

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1. **Lectures:** - It is one of the simplest ways of implying knowledge to the trainees, especially when concepts and theories are taught. This method is most suitable when audience is large in number and they are to be trained in short span of time. It helps in reducing the cost per trainee to the organization.
2. **Conference method:** - In conference method of training, a conference is held in accordance with an organized agenda. Common problems are discussed and all the participants share their views and experience to reach on appropriate solution. This method is ideally suited where the problems and issues are to be thoroughly analyzed and examined from different point of views.
3. **Case discussion method:** - Under this method, a real or hypothetical situation or business problem is presented to the group. Then the members tentatively collect their ideas; come out with various alternatives and arrive at the most suitable solution. In this way, they are trained to enhance their analytical and problem-solving ability. This method helps the trainees to become more rational, logical and analytical.
4. **Role playing:** - This method was developed by great Venetian psychiatrist, Dr. Moreno who termed it as "role playing" or "role reversal". The trainees act out a given role as given to them for a specific time period. Relevant to their performance in that given role, they are judged and appraised accordingly.

For example: - If a person is given a role of business development executive for 5 months, his performance will be measured throughout that period. And according to it, he will either get promotion or demotion.

Merits of Role- playing:

1. Interactions are quite often stressed.
2. Outcome and feedback is known immediately.
3. Develops skills of applying knowledge in areas of human relations.

Demerits of role- playing:

1. Role- playing may not necessarily adhere to the objectives of the training programme. The trainees may deviate from the subject being discussed and may involve themselves in irrelevant arguments.
 2. It may lead to undesirable behavior of the participants.
5. **T-group training:** - This method comprises of audio-visual aids to train the employees. It is also known as sensitivity training. This method focuses totally on humanistic approach where people get to learn themselves.

Other Training Methods:

LECTURE TRAINING METHOD -

It is one of the oldest methods of training. This method is used to create understanding of a topic or to influence behavior, attitudes through lecture. A lecture can be in printed or oral form. Lecture is telling someone about something. Lecture is given to enhance the knowledge of listener or to give him the theoretical aspect of a topic. Training is basically incomplete without lecture. When the trainer begins the training session by telling the aim, goal, agenda, processes, or methods that will be used in training that means the trainer is using the lecture method. It is difficult to imagine training with-

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out lecture format. There are some variations in Lecture method. The variation here means that some forms of lectures are interactive while some are not.

A good lecture consists of introduction of the topic, purpose of the lecture, and priorities and preferences of the order in which the topic will be covered.

DEMONSTRATION TRAINING METHOD

This method is a visual display of how something works or how to do something. As an example, trainer shows the trainees how to perform or how to do the tasks of the job. In order to be more effective, demonstration method should be accompanied by the discussion or lecture method.

To carry out an effective demonstration, a trainer first prepares the lesson plan by breaking the task to be performed into smaller modules, easily learned parts. Then, the trainer sequentially organizes those modules and prepares an explanation for why that part is required. While performing the demonstration, trainer:

- Demonstrates the task by describing how to do, while doing
- Helps the focusing their attention on critical aspects of the task
- Tells the trainees what you will be doing so they understand what you will be showing them
- Explains why it should be carried out in that way

The difference between the lecture method and the demonstration method is the level of involvement of the trainee. In the lecture method, the more the trainee is involved, the more learning will occur.

The financial costs that occur in the demonstration method are as follows:

- Cost of training facility for the program
- Cost of materials that facilitate training
- Food, travel, lodging for the trainees and the trainers
- Compensation of time spent in training to trainers and trainees
- Cost related to creating content, material
- Cost related to the organization of the training

After completing the demonstration the trainer provide feedback, both positive and or negative, give the trainee the opportunity to do the task and describe what he is doing and why.

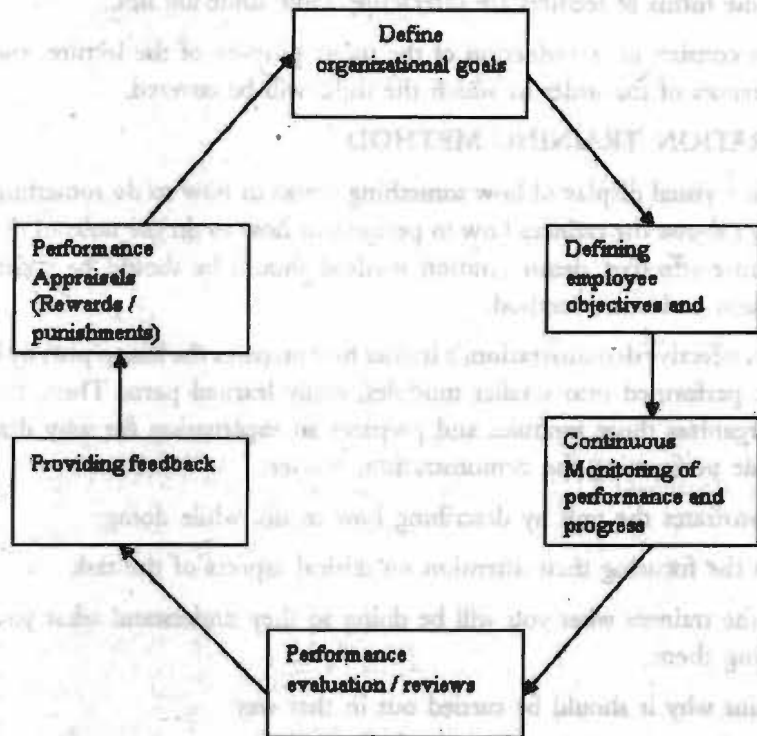
Management by Objective:

The concept of 'Management by Objectives' (MBO) was first given by *Peter Drucker* in 1954. It can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed.

The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.

THE MBO PROCESS

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UNIQUE FEATURES AND ADVANTAGES OF MBO

The principle behind Management by Objectives (MBO) is to create empowered employees who have clarity of the roles and responsibilities expected from them, understand their objectives to be achieved and thus help in the achievement of organizational as well as personal goals.

Some of the important features and advantages of MBO are:

- **Clarity of goals** – With MBO, came the concept of SMART goals i.e. goals that are:
 - Specific
 - Measurable
 - Achievable
 - Realistic, and
 - Time bound.
- The goals thus set are clear, motivating and there is a linkage between organizational goals and performance targets of the employees.
- The focus is on future rather than on past. Goals and standards are set for the performance for the future with periodic reviews and feedback.
- **Motivation** – Involving employees in the whole process of goal setting and increasing employee empowerment increases employee job satisfaction and commitment.
- **Better communication and Coordination** – Frequent reviews and interactions between superiors and subordinates helps to maintain harmonious relationships within the enterprise and also solve many problems faced during the period.

ASSESSMENT CENTER:

The assessment center method involves multiple evaluation techniques, including various types of job-related simulations, and sometimes interviews and psychological tests. Common job simulations used in assessment centers are:

- in-basket exercises
- group discussions
- simulations of interviews with "subordinates" or "clients"
- fact-finding exercises
- analysis/decision-making problems
- oral presentation exercises
- written communication exercises

Simulations are designed to bring out behavior relevant to the most important aspects of the position or level for which the assesseees are being considered. Known as "dimensions" (or competencies), these aspects of the job are identified prior to the assessment center by analyzing the target position. A job analysis procedure identifies the behaviors, motivations, and types of knowledge that are critical for success in the target position. During assessment, the job simulations bring out assesseees' behavior or knowledge in the target dimensions.

A traditional assessment center involves six participants and lasts from one to three days. As participants work through the simulations, they are observed by assessors (usually three line managers) who are trained to observe and evaluate behavior and knowledge level. Assessors observe different participants in each simulation and take notes on special observation forms. After participants have completed their simulations, assessors spend one or more days sharing their observations and agreeing on evaluations. If used, test and interview data are integrated into the decision-making process. The assessors' final assessment contained in a written report, details participants' strengths and development needs, and may evaluate their overall potential for success in the target position if that is the purpose of the center.

Perhaps the most important feature of the assessment center method is that it relates not to current job performance, but to future performance. By observing how a participant handles the problems and challenges of the target job or job level (as simulated in the exercises), assessors get a valid picture of how that person would perform in the target position. This is especially useful when assessing individuals who hold jobs that don't offer them an opportunity to exhibit behavior related to the target position or level. This is often the case with individuals who aspire to management positions but presently hold positions that don't give them an opportunity to exhibit management-related behavior on the job.

In addition to improved accuracy in diagnosis and selection, the organization that operates an assessment center enjoys a number of indirect benefits. Candidates accept the fairness and accuracy of promotion decisions more readily and have a better understanding of job requirements. Training managers to be assessors increases their skills in many other managerial tasks, such as handling performance appraisals and conducting coaching and feedback discussions.

ICEBREAKING TECHNIQUES OF TRAINING

Icebreaking techniques are used in training programmes, especially at the beginning,

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in order to promote interaction among participants and resource persons. Icebreaking is also useful for reducing shyness and lack of confidence among participants. If successfully applied, icebreaking can make participants more enthusiastic and willing to take part in the training activities. Icebreaking can provide amusement, relieve boredom, reduce tension and stimulate creative thinking. When we select icebreaking activities we should consider those that ensure physical movement and/or mental exercise. Depending on circumstances, we can organize activities that require the involvement of participants as a group or their participation as individuals.

EVALUATION OF TRAINING METHODS

Evaluation means appraisal or assessment. From training point of view, it is an activity which assesses as to whether the goals or objectives were met and the impact of training had on actual performance of the job or in the organization. The objective of training evaluation is to determine the ability of the participants in the training programme to perform jobs for which they were trained.

Purpose of evaluation of training:

- 1) **To determine success in accomplishing programme objectives:** - There is always a objective behind every training programme. Thus, by evaluation of training, the organization may determine if the objectives have been met or not.
- 2) **To identify the advantages and disadvantages of training process:** - One of the most important reasons for evaluation is to determine effectiveness of an HRD programme's various elements and activities. Each component of training programme makes a difference in training effort and hence it should be carefully evaluated.
- 3) **To decide who should participate in future programmes:** - Evaluation helps in providing knowledge to trainers that who are prospective participants and if they should be involved in the programme further or not.
- 4) **To test the clarity and validity of tests, cases and exercises:** - Evaluations sometimes serves as a testing and validating instrument. Interactive activities like case studies and tests used in the learning process must be relevant.
- 5) **To compare the costs to the benefits of a training programme:** - The evaluation compares training programme to its usefulness or value, measured in terms of monetary benefits.
- 6) **To determine if the programme was the appropriate solution for the specific needs:** - An evaluation may give insight into whether or not training programme was appropriate and possibly even point the management towards source of the problem.

Bases of Evaluation:

- 1) **Production factors:** In operative training, the prime measure of worth is productivity. It should be looked upon that unit time and unit cost of production has decreased or not.
- 2) **General observations:** The immediate supervisor is often a good judge of the skill level of his sub-ordinates. He observes that how efficiently the trainees apply the acquired skill and knowledge to the job.
- 3) **Performance tests:** successful accomplishment of goals would indicate suc-

cessful training. The true test is to analyze that the knowledge acquired in training is successfully transferred and applied to the job or not.

METHODS OF EVALUATION

1. One method is taking interviews through structured questionnaire from the immediate supervisors of the trainees for obtaining feedback on training.
2. Another method is the use of experimental and control groups. In this method, two groups are randomly selected, of which, one receives training (experimental) and the other does not (control). Relevant indicators of success are identified for measurement before and after the training. If results shown by experimental group are significantly greater than those of the control groups, then the training is considered as successful.
3. 'Pre' and 'post' tests can be administered to the trainees and the results can be compared to know the impact of training.

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PLANNING FOR TRAINING AND DEVELOPMENT

Planning in training and development is as important as in any other form of performing services, tasks and other actions. If in case, planning plays little or no role in training then it would lead to confusion for both trainer and training credibility with the learners and their managers. Planning does not necessarily guarantee fully effective training but it is more likely to produce an effective, enjoyable and credible training programme.

For planning the training and development programme, we must concentrate on the following issues:

- Who are the trainees?
- Who are the trainers?
- What should be the level of training?
- What would be the venue of training?

Who are the Trainees?

All the trainees must be selected on the basis of self-nomination, recommendation of supervisors or by human resource development department itself whatever be the basis.

Who are the Trainers?

Following persons can be considered as effective trainers:

1. Immediate supervisors
2. Co-workers
3. Members of Personnel staff
4. Specialists in other department of the company
5. Outside consultants
6. Faculty members at universities

What should be the level of Training?

Training to the employees is delivered at three levels:

- a) At the lowest level, fundamental knowledge is transferred to the potential employee. This means developing a basic understanding about a particular

Check Your Progress

1. What is meaning of Training?
2. What is job rotation?
3. What is T-group training?

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field.

- b) The middle level is concerned with skill development and acquiring the ability to perform a particular skill area.
- c) The highest level aims at increasing proficiency. This involves acquiring experience and expertise about a specific aspect.

What would be the venue of training?

The final decision in planning for the training and development is about the place of conduct of training programme. The decision may include the following choices:

- a) At the job itself.
- b) On site but not on job, like a training centre.
- c) Off the site, such as a university.

Principles for designing training programme

“What I hear, I forget; what I see, I remember and what I do, I understand”

Confucius, 451 B.C

1. **Training objectives** : Every firm must conduct its training programme in tune with the organizational objectives and training goals.
2. **Basis of training** : The second question arises that who should be selected for the training programme and who should not. Every firm wants to develop its human resources effectively, though all the employees cannot be trained. So it is essential to decide the basis of training programme.
3. **Cost of Training** : There are two types of cost borne by the organization while imparting training to the employees. Direct cost is incurred in the form of resource personnel for training; cost of training materials, etc. Indirect cost is incurred in the form of loss of production during training period. Therefore, while preparing the budget of training, both the aspects should be taken into consideration.
4. **Resource Personnel** : This is related to the fact that who will impart the training; whether they will be drawn from the organization or taken from outside.
5. **Training Methods** : Proper care should be taken while selecting the training method.

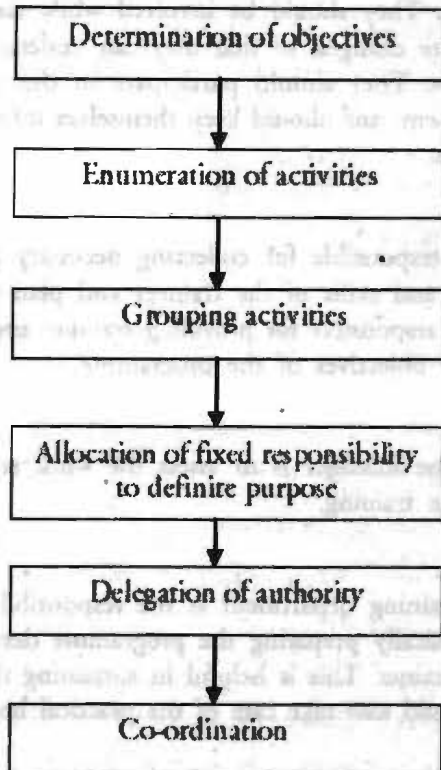
ORGANIZING THE TRAINING DEPARTMENT

Organizing refers to the process of bringing physical, financial and human resources and establishing productive relations among them for achievements of the specific goals. Manager's role is to see that the right people are at the right place at the right time to perform the right task. In addition, managers must ensure availability of required physical materials that allow employees to do their work. They must make sure that the necessary tools required to perform the job are available, the physical space where the work is to be done is adequate, and that the output of one work-group is available as input for the another work-group when the group is ready.

Process of Organizing the Training department

The process of organizing may be described as the managerial function of training department. It consists of making rational division of work into groups of activities. The process goes through the series of steps which are as follows:

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- 1) **Determination of objectives** : This is the first step of organizing the training department where it is decided that why the proposed department had been set up and therefore, what will be the nature of work to be accomplished by the training department.
- 2) **Enumeration of activities** : The entire job is sub-divided into essential activities like:
 - a) Collecting training material
 - b) Finding the suitable location and make it available at proper time
 - c) Assembling proper trainers and trainees
 - d) Selecting the most optimal training method
 - e) Evaluation of training program
 - f) Feedback
- 3) **Grouping activities** : The closely related and similar activities are grouped into further sub departments. Different criteria are adopted for the purpose of dividing and sub-dividing.
- 4) **Allocation of fixed responsibility to definite purpose** : Here specific job assignments are made to different level managers and trainers for ensuring a desirable level of work performance.
- 5) **Delegation of authority** : Corresponding to the responsibility, authority is delegated to the subordinates to enable them to show work performance
- 6) **Co-ordination** : It is an integrated function. This is necessary for optimum performance.

RESPONSIBILITIES IN TRAINING DEPARTMENT

Senior Management

Senior managers should be aware of the need and value of the training in achieving

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the organizational goals. They should be involved while taking organizational level decisions regarding future changes, so that they can understand and also communicate it at various levels. They should participate in the training programmes to reinforce their commitment, and should keep themselves informed about the progress of training programmes.

The trainer

The trainer would be responsible for collecting necessary pre-programme data regarding the knowledge and skills of the trainees and plan the programmes accordingly. He/she would be responsible for providing training and arranging resources for the trainees to suit the objectives of the programme.

Line Management

The responsibility of line manager is to assess the work requirements and identification of people for the training.

The Training manager

The management of training department is the responsibility of training manager. His responsibility is basically preparing the programme design in consultation with line manager and the trainer. This is helpful in sustaining the interest of trainees in the programme. He would also take care of the practical implementation of training programme.

The Trainee

The main role of trainees is to learn the new skills and knowledge. They should also be involved in training evaluation programme so as to understand the importance of their output.

Paul Kearns, a consultant at Personnel Works, offers a simple tool for organizing/classifying training into different categories so that you can see how to approach the training, and where to focus your efforts and resources. Kearns' system uses three classifications of training and development activities:

Must have training

This is the kind of activity without which you cannot run your business. If you do not do it, your business would limp along for a while, but would soon fold altogether. For example, your sales people need to know about what they are selling, so training them to understand existing and new products and services is vital. Similarly, people who use computers at work must know how to use them.

Added value training

The second classification is the kind of training which will give you an advantage over your competitors. This is an exciting stuff, because it improves performance and is focused on what you really want your business to achieve in the future. For example, your sales people may be good at their jobs, but providing them with training in writing proposals, telephone techniques, communication skills or even team working, could improve their performance still further.

How to do it

Training and development has undergone a major technological revolution in the last few years. Training no longer consists of going on a course or the low-tech alternatives of watching a video or reading a book. Hence, it is essentially required for the people to know their exact work duties and roles.

STAFFING THE TRAINING DEPARTMENT

The term staffing refers to the managerial function of hiring and developing the required personnel to fill in the various positions in the organizations. In terms of training, staffing means acquiring, developing, employing, appraising, remunerating, and retaining people so that right type of trainers and managers are available at right positions and at right time in the training department.

According to McFarland, 'Staffing is the function by which managers build an organization through the recruitment, selection and development of individuals as capable employees'

Process of Staffing in Training department

Staffing starts with the analysis of manpower requirement and searching the potential personnel to fill the various positions in an organization.

1. **Manpower planning** : This involves estimation of quantitative needs as well as qualitative analysis of the training department with respect to the qualities and characteristics required for performing a job.
2. **Recruitment and Selection** : Recruitment means pooling up of candidates for suitable profile required in the training department. Selecting means choosing the most suited to the job requirements keeping in view the job analysis information.
3. **Placement** : The selected candidate has to be placed on his new job and familiarized with his work environment. It refers to the placing the right person on right job.
4. **Induction** : Induction is concerned with the process of introducing or orienting a new employee in the organization or training department.
5. **Performance appraisal and career development** : This means judging an employee's performance over a period of time and providing opportunities to employees to develop their careers and managerial talents.

CONTROLLING TRAINING

Controlling is the process of checking the errors and taking the most corrective action so that deviations from standards are minimized and stated goals of the organization are achieved in the desired manner. Control in management means setting standards, measuring actual performance and taking corrective action.

In respect of training, controlling means to make things happen in accordance with the plans and programmes and rules and procedures laid down.

Control is the process of comparing actual performance with established standards, for the purpose of taking correct actions. The basic purpose of a well designed control system is to ensure that results are achieved according to plan. It is making something happen the way it was planned to happen. It involves keeping the organizational activities and functions on the right track and aligned with plans and goals.

According to Henri Fayol,

Control of an undertaking consists of seeing that everything is being carried out in accordance with the plan which has been adopted, the orders which have been given, and the principles which have been laid down. Its object is to point out mistakes in order that they may be rectified and prevented from recurring.

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According to EFL Breach,

Control is checking current performance against pre-determined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance.

According to Harold Koontz,

Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished.

Characteristics of Control

Control is a continuous process: Controlling is continuous process because it keeps on going with all of its related processes. Just as the navigator continually takes readings to ascertain where he is, related to a planned route, so as the trainer continually take readings to assure himself that training procedure or program is on correct track.

Positive force: The primary objective of control is to find where failures are occurring, who is responsible for them and what should be done about them. It is, thus, a positive force, aimed at securing performance.

Forward looking: Controlling is a forward looking process as it involves examination of past events with a view to improves performance in future.

Universal/ Pervasive: Control is a primary function of every manager. It has to be undertaken at every level as planning is done in every step towards achieving the goal of the organization.

Dynamic: Control is a dynamic process in the sense that it is open to change. It means that controlling is never rigid to a pre-defined procedure. It is highly flexible to the changes required by the environment and organization.

Goal oriented: Control guides activities towards set goals. The primary focus of control is on achieving results, checking deviations, if any, and initiating timely remedial steps.

Planning based: Control is based on planning. A system of control presupposes the existence of certain standards, which are determined in the process of planning. Planning is useful only when there is effective control. Planning without control is meaningless.

Process of controlling the training

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1. **Establishment of standards** : The first step in the control process is establishing standards. Standards are the targets against which subsequent performance will be compared. They are simple criteria for measuring the performance. They serve as the benchmarks because they specify suitable levels of performance. These standards must be clearly defined and specific. They should never lead to confusion and conflict. For example: If the company wants to raise its productivity then it should clearly state its objective with relation to a particular amount of percentage; let us say 10% or 20%. This will help in defining the standards very clearly to the employees.

Standards could be either quantitative or qualitative.

Quantitative standards are generally expressed in physical or monetary terms. Such standards are typically set up in respect of production, finance, sales etc. Quantitative standards could be based on time, cost, productivity, or revenue.

Qualitative standards, on the other hand, are based on the level of perfection desired in respect of certain intangible items such as goodwill, employee morale, industrial relations, customer satisfaction etc. Such standards are difficult to be measured directly and precisely.

2. **Measurement of actual performance** : The second step in control process is the measurement of actual performance. Here, the actual performance of employee is measured against the standards fixed for his job. Where standards are expressed in numerical terms, measurement does not create problems For E.g. Production, finance or sales. However, where standards are expressed in qualitative terms, measurement becomes difficult. E.g.; in HR, Customer Care etc.
3. **Comparison of actual performance with standards** : In the third step of controlling process, actual performance is compared with the standards. It helps to determine the degree of variation between actual performance and the standards. Some variation in the performance can be expected in all the activities. It is important at this stage to determine the acceptable range of variation. Deviations in excess of this range become significant and receive manager's attention.
4. **Taking corrective action** : The last and final step in the control process is taking corrective action, when required. Corrective steps are initiated by managers with a view to rectify the defects in actual performance. Corrective action may include a whole range of activities, such as, changing the strategy, methodology, rules, compensation practices, redesign of jobs, replacement of personnel, reestablishment of budgets and even redefining the standards itself.

Key factors for attaining effective control system of Training

While controlling a training department, there are several key factors to be remembered:

- 1 **Know the objectives**: This involves understanding the mission statement of the company, how the training process works and what methods are offered to trainers. Every new employee needs to understand these basics, and the training department is where they first acquire this knowledge.
- 2 **Keep all trainers up to date** on current programs, procedures, and events affecting the company.

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- 3 **Allow open communication with all members of the team:** Trainers are like guards when it comes to developing knowledgeable and competent employees. They often make observations that can help to enhance the overall training approach and program. Encouraging trainers to share critiques of the current training materials and program, as well as offer suggestions for improvement, involves everyone in the task of being successful.
- 4 **Review training materials regularly:** Things change fast in most of the companies. Training materials and procedures that used to be perfect a couple of years ago may have become less effective now. Keeping the materials fresh will also make it easier for trainers to maintain a proper flow in their presentations.
- 5 **Encourage feedback on each training session:** Some questions like what is working and what is not, what specific issues arose with trainers in the latest class, and how were those issues addressed, has to be evaluated correctly and timely. This continual process of evaluating training sessions helps to broaden the collective experience of the entire department.
- 6 **Always assume there is something more to learn:** Managers are accountable for how a program functions, but they are not supreme. When a manager realizes this and is open to learning from other members of the team, the opportunities to cultivate a positive atmosphere with the department are greatly enhanced.

EVALUATION OF TRAINING EFFECTIVENESS

An objective of training evaluation is to determine the payoff from the training investment. It focuses on the improvement of the participant in the training programme to perform jobs for which they were trained, what was effective and what was not, whether the trainees required any additional on the job training, and the extent of training not needed for the participants to meet job requirements.

There are various approaches to training evaluation. To get a valid measure of training effectiveness, the manager should accurately assess trainee's job performance two to four months after completion of training. However this focus is not easy to establish and track in most organizations.

Per Kirkpatrick's study, training effectiveness of outcomes can be measured:

- 1) **Reaction:** Evaluate the trainee's reaction to the programme. Did he like the programme? Did he think it worthwhile?
- 2) **Learning:** Did the trainee learn the principles, skills and fact that the supervisor or the trainer worked them to learn?
- 3) **Behaviour:** Whether the trainee's behaviour on the job changed because of the training programme.
- 4) **Results:** What final results have been achieved? Did he learn how to work on machine? Did scrap page costs decrease? Was turnover reduced? Are production quotas now being met? etc.

Structured interviews with the immediate supervisor of the trainees are acceptable methods for obtaining feedback in training. The supervisor is asked to rate the former trainee on job proficiency directly related to the training objectives. Another approach is to involve the use of experimental and control groups. Each group is randomly selected, one to receive training (experimental) and the other not to receive training (control). The random selection helps to assure the formation of groups

quite similar to each other. Measures are taken of relevant indicators of success (e.g. words typed per minute, units of work produced per hour etc.) before and after training for both groups. If the results shown by the experimental group are significantly greater than those of the control group, the training can be considered as successful.

Another common method is the longitudinal or time series analysis. A series of measurements are taken before the programme begins and continues during and post completion of the programme. The results are then plotted on a graph to ascertain changes if any, have occurred and continue to remain as a result of the training investment that was made. In addition, pre-and-post tests are administered to the training groups. Prior to the training, a test related to the training material is applied, and the results of this pre-test are compared with results on the same or similar test administered after the programme has been completed.

WHY TRAINING FAILS

The following factors have been considered as the main reasons for failure of training programmes:

- 1) The top management is not committed to training and the benefits of training are not clear to them.
- 2) The top management hardly rewards Managers for carrying out effective training.
- 3) The top management rarely plans and budgets systematically for training.
- 4) The middle management, without proper incentives from top management, does not account for training in production scheduling.
- 5) Without proper scheduling from above, first line Managers has difficulty production norms if employees are attending training programmes.
- 6) Behavioral objectives are often in precise.
- 7) Training external to the employing unit sometimes teaches techniques on methods contrary to practices of the participant's organization.
- 8) Timely information about external programmes may be difficult to obtain.
- 9) Trainers provide limited counseling and consulting services to the rest of the organization.

The training programmes can be made effective and successful if the following hints are considered;

- 1) Specific training objectives should be outlined on the basis of the type of performance required to achieve the specific organizational goals and objectives.
- 2) Attempt should be made to determine whether the trainee has the intelligence, maturity, and motivation to successfully complete the training programmes.
- 3) The trainee should be helped to see the need for training by making him aware of the personal benefits he can achieve through changes in behaviour.
- 4) The training programme should be planned so that it is related to the trainee's previous experiences and background.
- 5) Attempts should be made to create organizational conditions that are conducive to a good learning environment.
- 6) If necessary; a combination of training methods should be selected so that variety is permitted and as many of the senses as possible are utilized.

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- 7) It should be recognized that all the trainees do not progress at the same rate. Therefore, flexibility should be allowed in judging the rates of progress in the training programme.
- 8) If possible, the personal involvement or active participation of the trainee should be got in the training programme. He should be provided with opportunity to practice the newly needed behaviour norms.
- 9) As the trainee acquires new knowledge, skills or attitudes and applies them in job situations, he should be significantly rewarded for his efforts.
- 10) The trainee should be provided with regular, constructive feedback concerning his progress in training and implementation of the newly acquired abilities.
- 11) The trainee should be provided with personal assistance when he encounters learning obstacles.

HUMAN RESOURCE DEVELOPMENT CLIMATE IN INDIA

Human beings to organizations are like important assets. They are treated as a resource contributing towards the overall objectives of the firm. Every organization is composed of employees who come from different background and qualifications. Hence all of them have to be developed with respect to become successful in the fast changing business environment. Organizations can prosper and progress through the creative efforts and competencies of their human resource. Thus, human resource development requires a lot of attention and consideration. The importance of HRD is now universally accepted and recognized. In India, Human resource management has been known from ages. Though it gain its importance in 1969, when Prof. Leonard Nadler introduced the concept of HRD in a conference organized by American Society for Training and Development [ASTD]. After that Larson and Turbo [L&T] was the first private sector company which introduce HRD on the recommendations by two consultants – Uday Prateek and T.V Rao from IIMA. However, Mr Uday Prateek was later come to be known as Father of HRM in India.

Concept of Development:

The development of the executives or managers has becomes one of the most important and complex tasks of personnel management. Tremendous emphasis has been given to it since the end of the Second World War and it has been named as the 'management revolution' because a sudden dramatic change took place in the area of the management development. There is recognition that qualified executives needs throughout the industry do not just emerge from labor-force without consciously planned action on the part of the organizations.

Executive or management development consists of all activities by which executives learn to improve their behavior and performance.

According to Chhabra, development whether management or organization development is the process by which managers acquire not only skills and competencies in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope.

In short, development may be defined as; through learning or perception and experience change in attitude & improve the skills and knowledge.

"According to Flippo", development is a long-term educational activity of increasing the managerial and technical skills, knowledge, of an employee for doing particular job

NATURE OF DEVELOPMENT

The broad features of management development are as follows:

- **Educational process:** Development is more akin of education than it is too specific training in skills. Thus, only taking a course, attending lectures and conferences, job rotation assignments and the like, cannot develop manager. The process of learning on an executive's part has to be accepted as a discipline of self-education. Management development implies development of people of different aptitudes, talents, aspirations, needs and motivation.
- **Behavioral change:** Development is a planned process of learning and growth designed to bring behavioral change in knowledge and behavior of the individuals undergoing development program.
- **Self-development:** managers develop themselves by participating in training courses organized by the organization. They also make use of actual job experience in learning new behaviors. The organization can merely provide facilities for development.
- **Continuous Process:** Development is an ongoing or never ending exercise rather than a 'one shot' affair. It continues throughout an executive's career because there is no end to learning. It is a long-term process, as managerial skills cannot be developed overnight.

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OBJECTIVES OF DEVELOPMENT:

The objectives of development program of any business concern are:

- To increase the overall knowledge and conceptual and decision-making skills of executives;
- To improve the performance of managers in their present positions;
- To ensure a adequate reserve of capable well-trained managers for future needs;
- To influence the behavior of the workers through the executives;
- To introduce change in the organization by developing executives into change agents or facilitators;
- To provide opportunities to the managers for their career advancement; and
- To prevent obsolescence of executives by providing them opportunities for updating their knowledge and skills.

TRAINING VERSUS DEVELOPMENT

According to Dale Yoder⁹ the use of terms training and development in today's employment setting is far more appropriate than training alone since human resources can exhibit their full potential only when the learning process goes far beyond the simple routine.

TRAINING	DEVELOPMENT
Training means learning skills and knowledge for the growth of an employee in all doing a particular job It increases the job skills attitudes	Development means respects It shapes
The term training is generally used to indicate is associated with the overall imparting specific skills among operative	The term development growth of the execu-

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tives
workers and employees

Training is concerned with maintaining and seeks to develop competence improving the current job performance Thus performance Thus it has a long it has a short term perspective

Executive development and skills for future term perspective

Training is job centered in nature. centered in nature

Development is career

The role of trainer or supervisor is very development' The executives important in training motivated for self development

All development is 'self have to be internally

TRAINING VERSUS EDUCATION

According to Carnegie "Training refers to the process of imparting specific skills. Education on the other hand is confined to theoretical learning in class rooms"

TRAINING	EDUCATION
Application oriented	Theoretical orientation
Job experience	Classroom learning
Specific task	General concepts
Narrow perspective	Broad perspective

To conclude, in order to bring about a distinction, amongst training development and education in sharp focus it can be said that training is offered to operatives, whereas development programs are meant for employees in higher position Education however is common to all employees their grade notwithstanding.

Meaning of Human Resource Development

The term 'Human Resource Development' implies development of qualities, capabilities, and positive work aptitudes of all the people working at all levels in an organization. It is so that the performance in present jobs is increased and they become prepared to take on increased responsibilities in future. The development of human resource is the prime duty of an organization.

Definitions of HRD

- a) Leonard Nadler: "HRD is organized learning experience in a definite time period to increase the possibility of improving job performance and growth".
- b) T. Venkateshwara Rao defines HRD in the organizational context in the following words,

"Human Resource Development is a process by which the employees of an organization are helped in a continuous and planned way to:

- 1. Acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles.

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2. Develop their general capabilities as individuals and discover and exploit their own inner potentials for their own /or organizational development process.
3. Develop an organizational culture in which superior-subordinate relationships, team work and collaboration among subunits are strong and contribute to the professional well being, motivation and pride of employees.

c) American society for Training and development [ASTD] :

"HRD is the integrated use of-

- i. Training and development;
- ii. Organizational development; and
- iii. Career development

to improve individual, group and organizational effectiveness".

Importance of HRD

1. HRD helps in recognizing the skills, qualities, ideas and personality of the employees.
2. HRD helps in motivating the human talent and raising the morale of the employees.
3. HRD significantly helps the organization to adopt new techniques in order to respond to the changes taking place around.
4. HRD is a proactive and a supportive function. This is because the organization helps in assisting the employees to develop their proficiency and technicality and realize their potential role.

Challenges for HRD in Indian climate

1. **Globalization:** Growing internationalization of business and workforce has its impact on HR in terms of problems of unfamiliar laws, languages, practices, attitudes, management styles, work ethics and more. HR managers have a challenge to deal with more and more heterogeneous functions and more involvement in employee's personal life.
2. **Corporate Re-organizations:** Liberalization has led to large scale reorganization of businesses in terms of expansions, mergers and acquisitions, joint ventures, take over, and internal restructuring of organizations. In circumstances as dynamic and as uncertain as these, it is a challenge to manage employees' anxiety, uncertainties, insecurities and fears. This fear is mostly related to job insecurity and new work culture.
3. **New Organizational Forms:** Exposure to international business and practices has led to change in the organizational structure and HR policies of the local companies. Take for instance; Indian companies were habitual of vertical hierarchical structure where there used to be a boss over each employee. Suddenly, Indian companies have begun to adopt flat hierarchical management structure because of internationalization. But to implement such fundamental changes in management philosophy of any company is never easy. The challenge for HRM is to cope with the implications of these new relations in place of well established hierarchical relationships that existed within the organizations for ages in the past.

Check Your Progress

4. What do you mean by Control?
5. Define Human Resource Information?

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4. **Changing Demographics of Workforce:** Changes in workforce are largely reflected by large chunk of young blood with different ethics of work among old superannuating employees, growing number of women in workforce, working mothers, more educated and aware workers etc. Thus, changing demography of workforce has its own implications for HR managers and a true challenge to handle.
5. **Changed Employee Expectations:** With the changes in workforce demographics, employee expectations and attitudes have also transformed. Traditional demands like job security, house, and remunerations are not much attractive today. Rather, employees are demanding empowerment and equality with management. Hence, it is a challenge for HRM to redesign the profile of workers, and discover new methods of hiring, remunerating and motivating employees.
6. **Managing the Managers:** Managing the managers is most difficult. These are the people who are most movable, attrition rate being highest for the junior and middle management level. The challenge of HRM is how to manage these people?
7. **Weaker Section's Interests:** Another challenge for HRD is to protect the interest of weaker sections of society. The dramatic increase of women workers, minorities and other backward communities in the workforce has resulted in the need for organizations to re-examine their policies, practices and values. It is a challenge of today's HR managers to see that these weaker sections are employed at their deserving job profiles and are not discriminated on any kind of base.
8. **Contribution to the Success of Organizations:** The biggest challenge to an HR manager is to make all employees contribute to the success of the organization in an ethical and socially responsible way. Because society's well being to a large extent depends on its organizations.

HUMAN RESOURCE DEVELOPMENT PRACTICES IN INDIAN INDUSTRIES- TRENDS

Good HRD practices are helpful in achieving departmental objectives and enhance productivity. Some of the common human resource development practices used in Indian industries are as follows:

1. Performance Appraisal

This is a systematic evaluation of present capabilities of the employees of an organization. It is generally done by the superiors. It attempts to find out the strengths and weaknesses of the employees. It helps the employees to combine their strengths and remove their weaknesses completely. Performance appraisal helps the employees to understand the situation where did they went wrong, and where did they face difficulties. It also helps the superiors to know about their positive contribution and rewarding them as per their input. Consequently, it helps the subordinates to work for more difficult tasks and challenges.

2. Training and employee development

Training is an integral part of HRD. Training helps in identifying and developing employees with planned learning basis. Training is a learning experience which helps in bringing out desired changes in the employees for improving their qualities, capabilities and attitudes.

3. Organizational development

Organizational development has taken a renewed importance today. It focuses its attention on healthy relationships throughout the organization by providing changes and binding human potential in the climate of an organization. Organizational development aims to increase the capabilities for long-run effectiveness and self-renovating capacity of an organization. This is done by improving abilities of employees to overcome the problems such as absenteeism, internal conflicts, low productivity and efficiency.

4. Career Planning and Development

Career planning is the process by which an individual selects his career goals and the paths to achieve these goals. A career is 'all the jobs that are held during one's working life'. While, career development is 'those personnel improvements one undertakes to achieve a career plan'. This helps the management to integrate employee's needs with organizational needs'.

5. Performance feedback and coaching

Normally in organizations employees fails to recognize their strengths and weaknesses. Therefore, organizations appoints human resource development department to provide timely feedback to the employees regarding their strengths and weaknesses. This let employees to know where they stand at their work. A person works better when he knows how he is working; how his efforts are contributing to the achievement of organizational objectives.

6. Motivation and Rewards

Motivation means act of inspiring people to work in order to accomplish the desired goals. Rewards helps in motivating people in two ways. One way is by giving monetary payment. And other is by rewarding with promotion or transfer. HRD department encourage the employees to acquire skills and capabilities so that they become eligible to complete defined objectives in desired way.

7. Employee welfare

Employee welfare means corporate commitment to express care for the employees at all levels. These efforts are taken by management to raise the standard of living of employees. There are proper employee welfare schemes or measures in respect of laying equivalent standards for all the employees. These schemes help to improve the quality of work life. Such schemes include canteen facilities, recreation facilities, medical insurance, holidays with pay etc.

8. Quality of work life

QWL refers to the level of satisfaction, involvement, motivation etc. It is the degree to which employees are able to satisfy their personnel needs. It involves commitment of employees, managed work teams, open lines of communication, co-ordination of work, etc. It also involves participation of employees in decision making process.

9. Human resource information

A human resource information system is a systematic procedure of collecting, storing, maintaining, retrieving and validating certain necessary data needed by an organization. This data is related to human resource personnel activities and their characteristics. This includes information like employees special achievements; training programmes attended by them and performance

appraisal reports etc. This helps in considering employees for special projects, additional training, promotions, or transfers.

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A CASE STUDY

Case Studies and Success Stories - Training and Development a community resource Multilink Community Services Inc was started in 1988 by a small group of migrants and refugees who saw a need for English classes and support services for non-English speaking people. Multilink became incorporated in 1989, took on its first funded programme in 1991 and now it operates 32 programme on a weekly basis across six local government areas. The organization receives funding from local, state and federal government, but it also owns two businesses - one that provides an interpreting and translating service; the other, a series of multicultural card games for children. Of the 330 people who work for Multilink, nearly all of its staff members are from different cultural backgrounds and none of them are under 40 years of age. Multilink's director Lynda Ford is very happy with the results that have been achieved by these mature age employees. They are honest, hardworking, loyal, insightful and always ready to help others,' Lynda said. They are happy to be working, taking the opportunities made available to them and they are great resources, providing us with cultural and religious knowledge, contacts and language skills.'

Training for its mature age employees remains one of Multilink's most important issues. While English literacy will always be a key concern, Lynda Ford has also identified what she calls 'workplace literacy' as another area that requires attention. 'I believe that training issues were greater for this culturally diverse workgroup as often they need skills, knowledge and experience of Australian systems (education, employment, medical, drivers' licences, telephone connections, etc.) and conceptual skills to establish their programs, collect data, write reports and liaise with government and other organizations.'

Having identified that there is a great need for it, Multilink encourages and supports continuing training for its mature age employees. The organisation informs its staff about external training opportunities, and it provides two hours per week study leave for full-time employees. Multilink also conducts individual staff appraisals for all staff that identify training needs, and the organization has developed a 2005-06 training plan that offers a variety of practical and technical sessions to staff.

Key to success and fulfillment

Career Keys is a non-profit organization that provides community-based training and transition support to young people, parents and socially disadvantaged groups to assist them with gaining employment. It is the only organization that is delivering this type of service in the Logan area. Career Keys is about helping others to develop their confidence, work skills and the ability to fulfill their career goals successfully, and most of its programmes are available free of charge.

Deidre Foreman, the general manager of Career Keys, has a staff of 20 employees - three quarters of whom are much valued mature age workers. 'I wanted to have a balanced workforce and I have put in place ongoing training that has given an opportunity for staff to adapt to new skills as needed,' Deidre said.

Because mature age people do not always have the confidence to sell themselves at job interviews, Deidre believes that employers need to have skills to elicit information from potential employees so that they can see what skills mature age job seekers may bring to the workplace. She also has a policy of allowing her staff to work part-

time - an arrangement that requires her staff to share jobs and be multi-skilled.

Deidre Foreman, Marcella Mortimer and Elena Meale at Career Keys

ANZ Bank - Career Extension Programme

ANZ Bank has implemented a 'Career Extension Programme which seeks to retain mature age workers who are thinking of retiring by giving them access to options other than full retirement from work.

This initiative offers flexibility to mature age staff members so they can consider staying with ANZ beyond the traditional retirement age in a way that works for them as well as the business.

ANZ has a number of options to help mature age employees to reassess their careers, including:

- part-time work
- job-sharing
- mentoring/coaching roles
- working from home
- purchased leave
- career breaks
- 'Lifestyle' leave

ANZ also offers an Alumni programme which keeps the door open to retired employees and those enjoying a break from the workforce.

Questions for Case study:

- 1) Why training is necessary for an organization?
- 2) What do you learn from this case study?

SUMMARY:

- The term, 'training' indicates any process by which the aptitudes, skills and abilities of employees to perform specific jobs are increased.
- Training refers to the teaching/learning activities carried on for the primary purpose of helping employees in an organization to acquire and apply the knowledge, skills, abilities and attitudes needed by that organization.
- On the job training method is most frequently used in small organizations. This method uses more knowledgeable, experienced and skilled employees so as to render effective training to their juniors.
- Under off the job method of training, the trainee is separated from the job situation and his attention is focused upon learning the material which relates to his future job performance.
- Planning in training and development is as important as in any other form of performing services, tasks and other actions.
- Organizing refers to the process of bringing physical, financial and human resources and establishing productive relations among them for achievements of the specific goals.
- The term staffing refers to the managerial function of hiring and developing the required personnel to fill in the various positions in the organizations.
- In terms of training, staffing means acquiring, developing, employing, appraising, remunerating, and retaining people so that right type of trainers and managers are available at right positions and at right time in the training department.
- Controlling is the process of checking the errors and taking the most corrective action so that deviations from standards are minimized and stated goals

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of the organization are achieved in the desired manner. Control in management means setting standards, measuring actual performance and taking corrective action.

ANSWERS TO 'CHECK YOUR PROGRESS'

1. Training is a short term process entailing a systematic and organized procedure by which non-managerial personnel acquire technical knowledge and skills for a definite purpose.
2. **Job rotation:** - in job rotation, management trainees are made to move from one job to another at certain intervals. The main purpose is to broaden the knowledge of the trainees.
3. **T-group training:** - This method comprises of audio-visual aids to train the employees. It is also known as sensitivity training. This method focuses totally on humanistic approach where people get to learn themselves.
4. **Control** is the process of comparing actual performance with established standards, for the purpose of taking correct actions.
5. A human resource information system is a systematic procedure of collecting, storing, maintaining, retrieving and validating certain necessary data needed by an organization. This data is related to human resource personnel activities and their characteristics.

QUESTIONS:

- 1) What do you mean by the term 'Training'?
- 2) Why Training is required in organization?
- 3) What is the process of Training?
- 4) What essential factors should take into consideration for adopting a particular method of training?
- 5) What do you mean by On the Job and Off the Job Training Method?
- 6) How training methods are evaluated?
- 7) What important issues should take into consideration for planning the training and development programme?
- 8) How training department is organized?
- 9) What are the responsibilities in Training department?
- 10) What is the process of Staffing in Training department?
- 11) What do you mean by Controlling? Explain various Characteristics of Control.
- 12) What is the process of controlling the training? What key factors for attaining effective control system of Training?
- 13) What is Human Resource Development? Explain importance of HRD.
- 14) What are the challenges for HRD in Indian climate?
- 15) Briefly describe human resource development practices in Indian Industries.

FURTHER READING

- Human Resource Management: Gary Dessler
- Human Resource Management: L. M. Prasad

Career Planning and Succession Planning

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The Chapter Covers :

- Career and succession planning
- Objectives of Career Planning
- Career Planning - The Competency Band Approach
- Process of Career Planning and Development
- Advantages of Career Planning
- Essentials of Effective Career Planning
- Succession Planning
- Objectives of Succession Planning

Learning Objectives:

After going through this chapter, you should be able to:

- Understand career and succession planning.
- Discuss how to develop employees for succession planning.

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CAREER AND SUCCESSION PLANNING

Career planning & succession planning appear to be similar but not synonymous. Career planning covers all levels of employees where as succession planning is generally required for higher level executives. Generally, career planning is based on a succession plan for higher level executives. A succession plan involves identification of vacancies that are likely to occur in higher levels and locating probable successors. Succession planning facilitates continuity of organization. Career planning may consists of charts showing career paths of different categories of employees showing how they can advance up in the organization. But a succession plan consists of a runner up chart or succession chart for a particular position such as General Manager.

Now, let us first try to understand the concept of career development or career planning. In this context, three definitions are presented below:

- (i) Career planning and development are concepts which include all those events either happening to or initiated by individuals which affect a person's progress on promotion, his/her widening and/or changing employment possibilities and acquiring a different and normally higher status, better conditions of service or increased satisfaction with the jobs.

This definition, revolves round events or occurrences an individual goes through during his/her working, period, which take him/her through the hierarchic ladder, expand his/her areas of duties and responsibilities lead to pay raise and elevate his/her status.

- (ii) Career planning is a process which enables an organization to meet its current and projected manpower requirements, through provision of career opportunities for its employees. It aims at optimizing the effectiveness of human resources of the organization, the through planned development and their knowledge, skills and potentialities.

This definition places greater emphasis on the organization and the objectives which are accomplished through developing the careers of individuals working in it.

- (iii) Career planning refers to planned and system progression of events and development in the field of work or vocation of individuals during the employable periods of their life.

This definition seeks to balance the two dimensions i.e., the objective of the organization and the individual ambitions of getting to the top. Career, it cannot be forgotten, is intensify particularistic in its basics, it must relate to an individual without whom it loses its relevance.

Whatever may be the aspects and areas of emphasis, career-development, essentially is an integral part of a holistic human resources management of the organization. It must concern itself with the growth of both individuals and the organisation. For, as individuals the employees seek their total fulfillments (personal, ego, social and economic needs etc.) in the organisation, and organisation in turn fulfils itself, its charter of goals, only through its employees. This mutuality thus, represents a commonality of concern in the development of career. Individual and organizational career are not separate. It becomes their responsibility to assist employees in career planning, so that both can satisfy their needs.

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The basic character of career development is futuristic in the sense that its policies and programmes are devoted to tomorrow. It envisions distant horizons i.e. futures of the human components of organization in the context of complementary development potentials. It is multidimensional in the sense that broadly all the functions of management and multi-tiered aspects of personnel policy and practices from entry in the organisation to the point of separation from it, including, for example, recruitment, probation, training deployment, transfers, promotion, motivation etc. have a bearing on career development. Career development is considered to be the 'pivot' around which the entire personnel management system revolves, it is the 'hyphen' that joins each stage, phase, event of individual's work life, it is the 'buckle' that fastens an employee to the organization.

Career planning or development is primarily 'proactive' in the sense that it must anticipate and take steps to manipulate future, rather than be overtaken by emerging situations. It does not belong to the realm of 'crisis' management nor is it related to more 'maintenance' functions, it is the other name of future management. The process involves smooth succession, symbolizes systematized continuity and a planned progression with a pre-determined purpose.

OBJECTIVES OF CAREER PLANNING:

- (1) To encourage individuals to explore and gather information, which enables them to synthesize, gain competencies, make decisions, set goals and take action.
- (2) To increase employee productivity.
- (3) To prevent job "burn out" and obsolescence.
- (4) To identify personal qualities and events that influence employees' self-concept.
- (5) To identify personal interests, capabilities, strengths and weaknesses and how they relate to careers.
- (6) Attract and retain talent by offering careers, not jobs.
- (7) To improve employee morale and motivation.
- (8) To meet the immediate and future human resource needs of the organisation on a timely basis.
- (9) To explore personal value systems of employees and how they relate to organisational culture.
- (10) To get an understanding of the relationship between personality and occupational goals and how they can be aligned with organizational mission and objectives.
- (11) To foster effective team-building skills.
- (12) To develop respect for the feelings and beliefs of others.
- (13) To recognize differences in the way people see the attitudes of others.

ELEMENTS OF CAREER PLANNING PROGRAMS

Though programs differ, four distinct elements of career planning programs emerge. They include (1) individual assessments of abilities, interests, career needs, and goals;

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(2) organizational assessments of employee abilities and potential; (3) communication of information concerning career options and opportunities with the organization; and (4) career counseling to set realistic goals and plan for their attainment. Each of these elements is discussed in greater detail below:

Individual Assessments

Individual assessment of abilities, interests, career needs, and goals is basically a process of self-exploration and analysis. Individuals are frequently guided by self-assessment exercises.

The self-assessment process is basically viewed as an individual responsibility; however, organizations can aid in this process by providing the employee with materials and opportunities for self-exploration and analysis. A variety of self-assessment materials are available commercially, but a number of organizations, including IBM, Xerox, General Motors, and General Electric, have developed tailor-made workbooks for employee career planning purposes. Individual career planning exercises can be done independently by employees or in workshops sponsored by the organization. Workshops have the advantage of combining a number of career planning elements including self-assessment, communication of organizational career and development opportunities, and one-on-one counseling to ensure that career goals are realistic.

Organizational Assessments

A key issue in career counseling sessions is whether an employee's goals are realistic in terms of organizational possibilities and organizational assessments of employee abilities and potential. Accurate assessments of employee abilities and potential are important to both the organization and the individual.

Organizations have several sources of information for making assessments of employee abilities and potential. First is selection information, including ability tests, assessment center test, interest inventories, and biographical information such as education and work experience. Second is current job history information, including performance appraisal information, records of promotions and promotion recommendations, salary increases, and participation in various training and development programs. Organizations have traditionally relied on performance appraisal data as the primary basis for assessing employee potential.

Career Information within an Organization

Before realistic goals can be set, employees need information about career options and opportunities. This includes information about possible career directions; possible paths of career advancement; and specific job vacancies. In organizations with formal career planning programs, employees learn about career options and opportunities from their supervisors within the context of developmental performance appraisal interviews. Organizations with more established career planning programs make greater use of workbooks, workshops, and even recruiting materials to communicate career options and opportunities. Career paths have been defined as logical progressions between jobs or from one job to a target position. They can be either traditional or behavioral.

Traditional career paths are based on past patterns of actual movement by employees. They tend to be limited to advancement within a single function or organizational unit, such as purchasing, sales, or customer relations. Years of service to the organization largely determine the rate at which advancement can occur. For example, a salesman might expect to advance to the position of account supervisor after five

years, to sales supervisor after 10, to district manager after 15, and to regional manager after 25 years of service.

More flexible patterns of employee career movement are described by behavioral career paths, which are based on analysis of similarities in job activities and requirements. Where similarities exist, jobs can be grouped into job families, or clusters. Thus, all jobs involving similar work activities and levels of required skills and abilities form one job cluster, regardless of job title. Focusing on job similarities across functions and organizational units brings to light new career options for employees and greater flexibility for the organization in utilizing its available human resources. One organization, for example, was able to shift a number of its sales personnel to purchasing positions when sales declined in one major product line and opportunities became available in the purchasing department. This shift was undertaken when a job analysis showed behavioral similarities between the two previously distinct functions.

Career Counseling

It is in counseling sessions, typically with supervisors and managers in developmental performance appraisal interviews, that most employees explore career goals and opportunities in the organization. Supervisors and managers need accurate assessments of employee abilities and potential, as well as information about career options and opportunities in the organization. HR professionals may be involved in some informal career counseling activities, but basically their role is to support career counseling activities of supervisors and managers. This means providing supervisors and managers with needed information as well as with the necessary training to function effectively as counselors.

CAREER PLANNING - THE COMPETENCY BAND APPROACH

It is possible to define career progression in terms of the competencies required by individuals to carry out work at progressive levels of responsibility or contribution. These levels can be described as competency bands.

Competencies would be defined as the attributes and behavioral characteristics needed to perform effectively at each discrete level in a job or career family. The number of levels would vary according to the range of competencies required in a particular job family. For each band, the experience and training needed to achieve the competency level would be defined.

These definitions would provide a career map incorporating 'aiming points' for individuals, who would be made aware of the competency levels they must reach in order to achieve progress in their careers. This would help them to plan their own development, although support and guidance should be provided by their managers, and HR specialists. The provision of additional experience and training could be arranged as appropriate, but it would be important to clarify what individual employees need to do for themselves if they want to progress within the organization.

The advantage of this approach is that people are provided with aiming points and an understanding of what they need to do to reach them. One of the major causes of frustration and job dissatisfaction is the absence of this information.

A competency band career development approach can be linked to aiming points:

1. Competence band 1 definition Basic training and experience
2. Competence band 2 definition Continuation of medium training and experience

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3. Competence band 3 definition Continuation of advanced training and experience

Career planning is for core people as well as high-flyers: The philosophy upon which career plans are based refers not only to advancing careers to meet organizational and individual requirements, but also the need to maximize the potential of the people in the organization in terms of productivity and satisfaction under conditions of change, when development does not necessarily mean promotion.

Career planning is for individuals as well as the organization: Career planning procedures are always based on what the organization needs. But they have to recognize that organizational needs will not be satisfied if individual needs are neglected. Career planning has to be concerned with the management of diversity.

Career plans must therefore recognize that:

- members of the organization should receive recognition as individuals with unique needs, wants, and abilities;
- individuals are more motivated by an organization that responds to their aspirations and needs;
- individuals can grow, change and seek new directions if they are given the right opportunities, encouragement and guidance

CAREER PLANNING TECHNIQUES:

Career planning uses all the information generated by the succession plans, performance, and potential assessments and self assessments to develop programs and procedures which are designed to implement career management policies, achieve succession planning objectives and generally improve motivation, commitment and performance. The procedures used are those concerned with:

- personal development planning
- training and management development
- mentoring
- career counseling

In addition, career planning procedures may cater for the rising stars by 'fast tracking' them, that is, deliberately accelerating promotion and giving them opportunities to display and enlarge their talents. But these procedures should pay just as much, if not more, attention to those managers who are following the middle route of steady, albeit unspectacular, progression.

PROCESS OF CAREER PLANNING AND DEVELOPMENT:

Career planning is the key process in career management. It uses all the information provided by the organization's assessments of requirements, the assessments of performance and potential and the management succession plans, and translates it in the form of individual career development programs and general arrangements for management development, career counseling, mentoring and management training.

The following are the steps in Career Planning and Development:

1. Analysis of individual skills, knowledge, abilities, aptitudes etc.
2. Analysis of career opportunities both within and outside the organization.

3. Analysis of career demands on the incumbent in terms of skills, knowledge, abilities, aptitude etc., and in terms of qualifications, experience and training received etc.
4. Relating specific jobs to different career opportunities.
5. Establishing realistic goals both short-term and long-term.
6. Formulating career strategy covering areas of change and adjustment.
7. Preparing and implementing action plan including acquiring resources for achieving goals.

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STEPS INVOLVED IN CAREER DEVELOPMENT SYSTEM:

There are four steps in establishing a career development system. They are:

1. **Needs:** Defining the present system i.e. this step involves in the conducting a needs assessment as in a training programme.
2. **Vision:** The needs of the career system must be linked with the interventions. An ideal career development system known as the vision links the needs with the interventions.
3. **Action Plan:** An action plan should be formulated in order to achieve the vision. The support of the top management should be obtained in this process.
4. **Results:** Career development programme should be integrated with the organization's on-going employee training and management development programmes. The programme should be evaluated from time to time in order to revise the programme.

The above points can further elaborated in the following way:

Step 1: Needs: Defining the present system

- a. Establish roles and responsibilities of employees, managers, and the organization.
- b. Identify needs; establish target groups.
- c. Establish cultural parameters; determine organizational receptivity, support, and commitment to career development.
- d. Assess existing HR Programme or structure; consider possible links to a career development programme.
- e. Determine prior attempts at solving the problem or need.
- f. Establish the mission or philosophy of the programme.
- g. Design and implement needs assessment to confirm the data or collect more data.
- h. Establish indicators or criteria of success.

Step 2: Vision: Determining New Directions and Possibilities

- a. Create a long-term philosophy.
- b. Establish the vision or objectives of the programme.
- c. Design interventions for employees, managers, and the organization.

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- d. Organize and make available career information needed to support the programme.

Step 3: Action Plan: Deciding on practical first steps

- a. Assess the plan and obtain support from top management
- b. Create a pilot programme
- c. Assess resources and competencies.
- d. Establish an advisory group.
- e. Involve advisory group in data gathering, programme design, implementation, evaluation and monitoring

Step 4: Results: Maintaining the change

- a. Create long-term formalized approaches.
- b. Publicize the programme.
- c. Evaluate and redesign the programme and its components.
- d. Consider future trends and directions for the programme.

ADVANTAGES OF CAREER PLANNING

- (1) **Full use of employee potential:** Every employee has a desire to grow and scale new heights in his workplace continuously. If there are enough opportunities, he can pursue his career goals and exploit his potential fully.
- (2) **High Motivation:** Employee feels highly motivated when the organisation shows him a clear path as to how he can meet his personal ambitions while trying to realize corporate goals. In the absence of a career plan, employees do not get right breaks at the right time; hence their morale will be low, they will always try to find escape routes.
- (3) **No Employee Turnover:** Career planning reduces employee turnover. It helps in increasing the employees' loyalty because they will feel that the organization has a genuine interest in their development. In the absence of a career plan, key employees and executives live in frustration and the organization suffers badly when turnover figures rise.
- (4) **Achieving Success:** The success of an organization depends on the caliber of its human resources. It is the quality of the people that determines the continued survival and growth of the organization. As the organization grows, thought must be given not only to the good recruitment and selection process but also to do good career planning. It is important because the consequences of success or failure are linked closely with each individual's satisfaction with work and life.
- (5) **Adequate Supply of Promotable Employees:** With career planning, the organization will be able to develop the employees so that when the time comes; there will be adequate supply of the right type of skills and abilities needed to enable the organization to achieve its objectives.
- (6) **Career Opportunities for Employee:** The employee has advance knowledge of career opportunities within the company. He knows where he stands, where he wants to go, who is ahead of him, how to scale the corporate ladder. This helps him set his career goals more realistically and take appropriate steps to realize them.

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- (7) **Benefits to Organization:** Organizations can base their decisions more systematically. Fast tracks for stars could be arranged, training to slow movers can be provided, replacements can be planned in advance, hard working, talented people can be retained through offering attractive career options and compensation plans, job assignments can be made based on merit, etc.
- (8) **Relations:** Relations between the employee and the employer would become more cordial, employee skills could be used properly, valued employees could be retained, and there will be an expanded image of its company as a people developer.
- (9) **Other Benefits**
 - (a) It ensures better utilization of employees' skills and provides increased work satisfaction to employees.
 - (b) Employees' loyalty and commitment to the organization can be substantially increased and thereby organizations can enjoy the privilege of increased employee productivity.
 - (c) It reduces industrial disputes related to promotional matters and thereby provides opportunity to the organization to sustain harmonious industrial relations.
 - (d) It makes employees adaptable to the changing requirements of the organization.
 - (e) It enables organizations to man promotional vacancies internally, thereby providing opportunities to reduce the cost of managerial recruitment.

LIMITATIONS OF CAREER PLANNING

Here, then, are tips to help you achieve successful career planning:

1. **Make career planning an annual event :** By making career planning an annual event, you will feel more secure in your career choice and direction and you'll be better prepared for the many uncertainties and difficulties that lie ahead in all of our jobs and careers.
2. **Map your path since last career planning :** One of your first activities whenever you take on career planning is spending time mapping out your job and career path since the last time you did any sort of career planning. While you should not dwell on your past, taking the time to review and reflect on the path—whether straight and narrow or one filled with any curves and dead ends will help you plan for the future.

Once you've mapped your path, take the time to reflect on your course — and note why it looks the way it does. Are you happy with your path? Could you have done things better? What might you have done differently? What can you do differently in the future?
3. **Reflect on your likes and dislikes, needs and wants :** Change is a factor of life; everybody changes, as do our likes and dislikes. Something we loved doing two years ago may now give us displeasure. So always take time to reflect on the things in your life — not just in your job — that you feel most strongly about.

Make a two-column list of your major likes and dislikes, then use this list to examine your current job and career path. If your job and career still fall mostly in the like's column, then you know you are still on the right path; however

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if your job activities fall mostly in the dislikes column, now is the time to begin examining new jobs and new careers.

Finally, take the time to really think about what it is you want or need from your work, from your career. Are you looking to make a difference in the world? To be famous? To become financially independent? To effect changes? Take the time to understand the motives that drive your sense of success and happiness.

4. **Examine your pastimes and hobbies :** Career planning provides a great time to also examine the activities you like doing when you are not working. It may sound a bit odd, to examine non-work activities when doing career planning, but it's not so. Many times your hobbies and leisurely pursuits can give you future career paths.
5. **Make note of your past accomplishments :** Most people don't keep a very good record of work accomplishments and then struggle with creating a powerful resume when it's time to search for a new job. Making note of your past accomplishments — keeping a record of them — is not only useful for building your resume; it's also useful for career planning.
6. **Look beyond your current job for transferable skills :** Some workers get so wrapped up in their job titles that they don't see any other career possibilities for themselves. Every job requires a certain set of skills and it's much better to categorize yourself in terms of these skill sets than be so myopic as to focus just on job titles.
7. **Research Future Career/Job Advancement Opportunities :** One of the really fun outcomes of career planning is picturing yourself in the future. Where will you be in a year? In five years? A key component to developing multiple scenarios of that future is researching career paths.

Of course, if you're in what you consider a dead-end job, this activity becomes even more essential to you, but all job-seekers should take the time to research various career paths — and then develop scenarios for seeing one or more of these visions become reality. Look within your current employer and current career field, but again, as with all aspects of career planning, do not be afraid to look beyond to other possible careers

ESSENTIALS OF EFFECTIVE CAREER PLANNING:

There are some suggestions for effective career development. They are:

- 1) **Challenging Initial Job Assignments:** - There is evidence indicating that employees who take up initial challenging jobs perform better at later stages.
- 2) **Dissemination of Career Option Information:** Mostly employees lack information about career choices/options. The managers identify career paths and succession paths. This information should be made available to all.
- 3) **Job Positioning:** Management should provide job information to employees through job positioning. For posting the jobs organizations can use bulletin board displays, company publications, electronic billboards and similar means.

- 4) **Assessment Centers:** The assessment centers evaluate the people regarding their ability to certain jobs. This technique helps to identify the available skills, abilities and knowledge.
- 5) **Career Counseling:** Career Counseling helps employees in setting directions, reviewing performance, identifying areas for professional growth.

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CLASSIFICATION OF CAREER

Career can be of three sub-types:

- (1) **Monolithic career** is identified with pursuance of career in one institution or department; jurisdiction.
- (2) **Cadre-career** is one where a cluster or conglomeration of posts are arranged vertically i.e. hierarchically from lower to higher with different levels of responsibilities. Here, any member belonging to that cadre, can be deployed to any of the posts, within the cadre-jurisdiction, commensurate with the seniority, pay, experience, qualification etc.
- (3) **Inter (-) governmental careers** are identified with more than a single governmental jurisdiction. An example of this is All India Services, where members belonging to this service move from centre to the states to occupy administrative positions. In America also, a good example of this kind of career pattern has been discernibly characterized by movement among the three levels of public employment, federal state and local. This type of career pattern in a sense indicates the end of monolithic career identified with one institution or government.

There can also be two other concepts of career, namely, closed career and open career, depending on the limitations on entrance or the norm of recruitment. This closed career system can be described as 'Monastic' system, which means that once, at a young age, usually pre-determined, one enters the 'Monastic' or a specific cadre order, one has to spend an entire lifetime in that jurisdiction with no chance of coming out of it.

The open-type career system, permits entrance at any or all grade-levels, though this multi-level induction would be governed by certain qualification requirements and competitive eligibility conditions prescribed for such grades or, groups of categories of posts. Those already in that service, on fulfillments of stipulated eligibility conditions, can apply for such recruitment. An important feature of the open career system is that there is positive encouragement for inducing of new talent at middle and upper levels.

There can be further classification of career system i.e. rank-in-job and rank-in-corps. In the former, the focus is on the assignments, the job to be performed and the fitting of an individual into the job. This job-oriented concept originating in the USA and Canada emphasizes orderly classification of positions on the basis of duties and responsibilities. It is the logical corollary of systematic division of responsibilities and division of labour.

In the other type i.e. rank-in-corps, the focus is on the person. This is prevalent in the U.S.A. Here assignment, training, utilization, recognition rank etc., are viewed in terms of the individual and the corps to which a person belongs rather than in terms of a merely structured hierarchy of positions. This system facilitates the matching of employee skills with job needs.

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Of these various types of careers, the cadre system enables a person recruited at the lowest point to go higher up, through a gradation of assignments which are all clustered or kept together in one cadre without a very precise and scientific position-classification system. This system of position classification is a characteristic feature of rank-in-job type of career.

SUCCESSION PLANNING

A succession plan to fill key positions over time is essential for success & survival of an organization. Its purpose is to identify & develop people to replace current incumbents in key positions in case of resignation, retirement, promotion, growth etc. succession can be within or from outside the organization. Succession by people from within provides opportunities to employees for advancement in their careers. Complete dependence on internal sources may however cause conflicts & stagnation in the organization. Similarly, complete dependence on outside talent may cause stagnation in career of present employees which may in turn lead to a sense of frustration and job dissatisfaction.

Succession planning is seen as an important process by most large businesses - but what does it mean?

Some of the confusion surrounding succession planning is due to people using the term in many different ways. Succession planning is best described as a process where one or more "successors" are identified for key jobs, and career moves and/or employee development activities are planned for these successors. Successors may be fairly ready to do the job (short-term successors) or seen as having longer-term potential (long-term successors).

Succession may be from internal employees or external people. Succession from internal employees is advantageous to the organization as well as to the internal employees. Organization can buy the employees loyalty and commitment, belongingness, shared feeling of development along with the organization by promoting the internal employees. Employees get the benefits of growth in the organization. The organization mostly prefers to encourage the growth and development of its employees and as such tends to prefer succession from within. Organizations, appraise employee's potentialities, identify training gaps for future vacancies, and develop them for higher and varied jobs. The scope of succession plan would be more when the organization grows steadily and employees have potentialities to take up higher responsibilities.

Professionally run organizations ask their managers to identify the internal employees having potentialities and develop them in order to occupy their positions as and when they feel vacant. However, it is necessary to allow the inflow of new blood also. Hence, organizations should also search for outside talent in certain cases like when competent internal people are not available, when major expansion, diversification and growth plans are in offing and complete dependence on either internal source or external source not advisable to any organization.

- 1) **Empowerment:** It is the provision of greater freedom and discretion to employees. When employees are given freedom, they work effectively as a team and strive (struggle) for the development and growth of the organization. The function of empowerment leads to the prosperity of the organization.
- 2) **Effective communication:** HRMs crucial function also includes Good and effective communication of policies. Communication when streamlined effectively leads to excellent network building and growth.

- 3) **Equality:** Employees need to be treated with fairness and equality. HRM function of equal policies and justice make sure that the employees are protected fully. Equality leads to well trained and well-motivated employees.
- 4) **Functions relating to job:** Job is the duty which one is expected to do. An employee works well when the job matches with his expectations, abilities and talents. Job Satisfaction is vital for all.

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OBJECTIVES OF SUCCESSION PLANNING

The main objectives (and advantages) of succession planning are:

- Improved job filling for key positions through broader candidate search, and faster decision-making
- Active development of longer-term successors through ensuring their careers progress, and by making sure they get the range of work experiences they need for the future
- Encouraging a culture of "progression" through developing employees who are seen as a 'business resource' and who share key skills, experiences and values seen as important to the future of the business

Of the above objectives, it is the active development of a strong 'talent pool' for the future which is often viewed as the most important. Increasingly, this is also seen as vital to the attraction and retention of the 'best' people (particularly in service businesses like the accountancy and legal professions).

How are succession and development plans produced?

Succession plans normally cover both short- and longer-term successors for key jobs, and development plans for these successors.

Where a number of jobs are of similar type and need similar skills, it is preferable to identify a 'pool' of successors for this collection of posts.

Typical activities covered by succession planning include:

- Identifying possible successors
- Challenging and reviewing succession plans through discussion of people and posts
- Agreeing job (or job group) successors and development plans for individuals
- Analysis of the gaps or surpluses revealed by the planning process
- Review, i.e. checking the actual pattern of job filling and whether planned individual development as taken place.

Succession planning is a process whereby an organization ensures that employees are recruited and developed to fill each key role within the company. Through your succession planning process, you recruit superior employees, develop their knowledge, skills, and abilities, and prepare them for advancement or promotion into ever more challenging roles.

Actively pursuing succession planning ensures that employees are constantly developed to fill each needed role. As your organization expands, loses key employees, provides promotional opportunities, and increases sales, your succession planning guarantees that you have employees on hand ready and waiting to fill new roles.

Effective, proactive succession planning leaves your organization well prepared for expansion, the loss of a key employee, filling a new, needed job, employee promotions, and organizational redesign for opportunities. Successful succession planning builds bench strength

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DEVELOP EMPLOYEES FOR SUCCESSION PLANNING

To develop the employees you need for your succession plan, you use such practices as lateral moves, assignment to special projects, team leadership roles, and both internal and external training and development opportunities.

Through your succession planning process, you also retain superior employees because they appreciate the time, attention, and development that you are investing in them. Employees are motivated and engaged when they can see a career path for their continued growth and development. To effectively do succession planning in your organization, you must identify the organization's long term goals. You must hire superior staff.

You need to identify and understand the developmental needs of your employees. You must ensure that all key employees understand their career paths and the roles they are being developed to fill. You need to focus resources on key employee retention. You need to be aware of employment trends in your area to know the roles you will have a difficult time filling externally.

THE SUCCESSION PLANNING PROCESS

Succession planning requires steps to obtain leadership guidance, collect relevant information, make key decisions, and execute succession and development actions. If undertaking this activity for the first time, you should consider creating a process that is "separate" from other related activities such as performance management and development planning. Later, after you have executed your process a couple times, you may take down the special elements and start to integrate it with these other activities. The steps below outline such as stand-alone process.

- 1) **Define purpose, goals, and scope:** The top leader of the organization outlines the purpose, goals, and scope of the succession planning activity.
- 2) **Assemble an oversight committee:** The committee's role is to establish a succession planning process that can fulfill the purpose, goals, and scope outlined by the top leader, and to govern over the process until most of the major questions and issues have been resolved,
- 3) **Set policy:** The oversight committee creates policy around such issues as data security, assessment, succession nominations, communication and development.
- 4) **Define operational parameters:** Again, this is the purview of the oversight committee. Operational parameters include positions for which successors will be nominated, the scope of the pool of succession nominees and the rating scales used for assessing contribution and potential.
- 5) **Develop and conduct the assessment:** The assessment is essential for comparing succession candidates and slotting them against specific succession positions. The assessment data, generally provided by direct managers of the succession pool, should be reviewed for equity in the ratings and for consensus in the nominations.
- 6) **Compile and organize the data:** The voluminous data that is collected must be compiled into the kind of information needed by leaders to make key decisions. Some of the compilations include coded organization charts, a "contribution-potential matrix," reports of any "at risk" positions or individuals, and profiles for all individuals and positions. A spreadsheet or dedicated tool for organizing and displaying such information is recommended.

- 7) **Conduct organizational reviews:** Starting with business unit/functional heads, the succession plan and reports compiled are reviewed and key decisions made. These decisions could range from developmental opportunities for future leaders to actual leadership appointments. The business unit/functional level reviews are followed by reviews at the highest level-with correspondingly higher level decisions.

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A CASE STUDY

CWA & AT&T Walking the Talk (2800 Century Parkway, Atlanta, Georgia)

The 2800 Century Parkway AT&T building in Atlanta is a hotbed of Alliance activity. Why? Because The Alliance, CWA Local 3250 and local AT&T Management have found value in working together. They have banded together to create opportunities in which employees can gain skills and increase their employment security while improving the efficiency of AT&T in providing service to its customers. In just the first 7 months of the 2005 Programme Year, 2800 has already exceeded its annual goals.

The picture was not always so rosy at this location. In late 2001 the Alliance Local Committee (ALC) and Company/Union support for it had virtually disappeared. Layoffs in both the occupational and management ranks displaced most key supporters and ALC members. A local CWA election that fall saw most of the Union Leadership at Local 3250 turn over. Without strong onsite leadership 2800 did not come close to reaching its annual goals for the first time that year.

The Alliance Associate Director, Jay Ott, saw an opportunity to create a better, stronger relationship between The Alliance, CWA and AT&T Management. He began by working with the new CWA Vice President for 2800, Roy Hegenbart (who is now the Local President for 3250) to identify the right occupational employee to promote The Alliance on-site - someone who understood the joint labor/management concept, who knew the people in the building, and was respected by both Management and CWA. That person was Chandra Patton, and in May of 2002, Roy convinced the company to assign Chandra as Alliance site coordinator full-time.

Chandra and Jay took a different approach to creating a new Labour/Management team for 2800. They spent the rest of 2002 meeting, communicating, and building relationships with the local AT&T management and CWA leadership. Their focus was on the Administrative Supervisors, as they were the ones who could get the support needed for classroom space, particularly space for an upgraded computer lab, and for company time when the building was affected by a surplus declaration. A Leadership Team was formed to support these efforts. It consisted of Chandra Patton (Alliance Site Coordinator), James Bates, Debbie Shelton, John Bozart, and Alicia Brock (AT&T Administrative Supervisors), Roy Hegenbart (Local 3250 V.P.), and Jay Ott (Alliance Associate Director). In order for Jay to fully participate in this team, Christine Deas from The Insight Group was brought in to facilitate the meetings. The goals of the Leadership Team are:

- Develop a stronger, more viable relationship between AT&T Management, CWA, and The Alliance at 2800 Century Parkway.
- Work with the Alliance Local Committee to develop training opportunities for the surpluses, represented workforce on company-time.
- Identify and offer training that will enhance employee skills and marketability within as well as outside of AT&T.

Check Your Progress

1. What is career counselling?
2. Define career planning?
3. Define succession planning?

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- Reestablish a viable after-hours training schedule that employees would support.
- Encourage more Business Unit Initiatives on company-time.
- Encourage all employees to take advantage of opportunities to grow and develop their skills, talents and interests.

The everyday work of implementing the programme still needed to be addresses. The Leadership Team appointed ALC members who had the skills and initiative to make the day-to-day operational decisions (e.g., what classes, when, where, marketing, registration, follow-up, etc.). By June of 2003, the work of the Leadership Team and the ALC resulted in a huge increase in Alliance activity. 2800 had surpassed its annual goals in only 9 months! Its success did not go unnoticed. Chandra Patton, Debbie Shelton and Jay Ott presented the 2800 story to The Alliance Board of Trustees at their July meeting in New Jersey. This story of cooperation and achievement was outlined in a unique way. The team developed a series of CD ROM's explain who we were and how we achieved some much success in a short period of time. It was obviously well received.

However, this is only half the story. What happened next is what makes 2800 stand out from most other Alliance locations in the country. The Leadership Team had always kept the people to whom they reported informed of the success of The Alliance, and the AD made special efforts to reach out to those upper level managers and union officers in order to find common interests and goals. The Board of Trustees presentation was used as a springboard to pitch the District/Division level managers and CWA leadership on even more opportunities that potentially could be in the best interest of the Company, the Union and the represented employees.

Because of those presentations, Sharon Cochrane - District Manager Date Group, Bernie Ragland - Division Manager and Terry Parr - District Manager Voice Group have supported many Business Unit Training Initiatives on company-time. Some of the more notable activities have been Customer Relations Skill Certification, Voice over Internet Protocol (VoIP), CCNA Certification, CCP@, and Net+ Certification. These programmes, along with the more traditional Alliance programmes, helped the 2800 location exceed their annual goals for the third time in as many years.

Another indication of the strength of the Alliance commitment there is the support that AT&T provides to CWA represented employees from other Avaya and Lucent. The only Alliance lab with the equipment to provide high level IT training is at 28000. The Alliance committee works closely with management (including GRE and Security) to make his lab accessible to all Alliance participants in the area.

The opportunities available at 2800 Century Parkway are a direct result of Labour and Management seeing value in creating a more skilled workforce through The Alliance. Together, they really do "walk the talk".

Questions for case study:

- 1) What approach Chandra and Jay take for Labour and Management team?
- 2) Write a brief summary of this case study.

SUMMARY

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- Career planning and development are concepts which include all those events either happening to or initiated by individuals which affect a person's progress on promotion, his/her widening and/or changing employment possibilities and acquiring a different and normally higher status, better conditions of service or increased satisfaction with the jobs.
- Career development is a process which enables an organization to meet its current and projected manpower requirements, through provision of career opportunities for its employees.
- Career planning refers to planned and system progression of events and development in the field of work or vocation of individuals during the employable periods of their life.
- Career planning or development is primarily 'proactive' in the sense that it must anticipate and take steps to manipulate future, rather than be overtaken by emerging situations.
- Career can be of three sub-types: Monolithic career, Cardre-career, Inter (-) governmental careers.
- Monolithic career is identified with pursuance of career in one institution or department; jurisdiction.
- Cardre-career is one where a cluster or conglomeration of posts are arranged vertically i.e. hierarchically from lower to higher with different levels of responsibilities.
- Inter (-) governmental careers are identified with more than a single governmental jurisdiction.
- Succession planning, in simplistic terms, would mean creating an able hand that will fill in the gap to be created in the near future.
- The vacuum that is created by a person in a particular post needs to be filled out by identifying, assessing, grooming, moulding and nourishing a small set of people who have the requisite skill-sets and portray the desired personality.
- A succession plan clearly sets out the factors to be taken into account and the process to be followed in relation to retaining or replacing the person for smooth continuation and success of a business which depends greatly on availability of competent people. It also provides maximum flexibility in lateral movement moves and ensures that as individuals achieve greater seniority; their management skills broaden and become generalized in relation to organizational objectives.
- The real key in succession management is to create a match between the organization's future needs and the aspirations of individuals.
- Our succession process includes deploying a succession management process, identifying a talent pool, engaging future leaders, monitoring and assessing the program.
- Succession planning requires steps to obtain leadership guidance, collect

relevant information, make key decisions, and execute succession and development actions. If undertaking this activity for the first time, you should consider creating a process that is "separate" from other related activities such as performance management and development planning.

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ANSWERS TO 'CHECK YOUR PROGRESS'

3. Career Counselling is counselling sessions, typically with supervisors and managers in developmental performance appraisal interviews, that most employees explore career goals and opportunities in the organization.
4. Career Planning is defined as and when career progress in terms of competencies required by individuals so as to carry out work at progressive levels.
5. Succession Planning is defined as planning for upcoming career opportunities and challenges, planning new areas and fields where you can compete.

TEST YOURSELF

- 6) What do you mean by Career Planning?
- 7) Discuss various steps involved in career development system.
- 8) What are essential elements of effective career planning?
- 9) Explain the meaning of Succession Planning.

FURTHER READING

- *HRM: John Sterdwick*
- *Human Resource Management: L. M. Prasad*

The Chapter Covers :

- Meaning of Performance Appraisal
- Features of Performance Appraisal
- Process of Performance Appraisal
- Types of Appraisal Methods
- Use of Appraisal Data
- Requirements of A Good Appraisal System
- Pitfalls of Performance Appraisal
- Constraints of Performance Appraisal
- Features of Potential Appraisal
- Indicators of Potential/Qualities
- Distinction Between Performance and Potential
- A Case Study

Learning Objectives:

After going through this chapter, you should be able to:

- Define Performance Appraisal
- Comprehend Features, Objectives, Process, Types and methods of Performance Appraisal
- Know various Advantages, Pitfalls and Constraints of Performance Appraisal
- Define Potential Appraisal
- Differentiate between Performance Appraisal and Potential Appraisal

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INTRODUCTION

The performance of an employee is his resultant behavior on task which can be observed and evaluated; it refers to the contribution made by an individual in the accomplishment of organizational objectives. Performance can be measured by some combination of quantity, quality, time and cost. People do not learn unless they are given feedback on the results of their actions. For learning to take place, feedback must be provided regularly and it should register both successes and failures, and should follow soon after the relevant action(s). Performance appraisal system provides management an opportunity to recall as well as feedback to people as to how they are doing, so that they can correct their mistakes and acquire new skills.

Performance Appraisal may be understood as the assessment of individual's performance in a systematic way, the performance being measured against factors such as job knowledge, quality and quantity output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility, health and the like. Assessment should be confined to past performance alone. Potentials of the employee for future performance must also be assessed.

MEANING OF PERFORMANCE APPRAISAL

In simple terms, performance appraisal may be understood as the assessment of an individual's performance in a systematic way, the performance being measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility, health and the alike. Assessment should not be condensed to past performance alone. Potentials of the employee for future performance must also be assessed. Performance appraisal is the systematic evaluations of the individual with respect to his/ her performance on the job and his or her potential for development.

A formal definition of performance appraisal is as follows:

"It is the process of evaluating the performance and qualifications of the employees in terms of the requirements of job for which he is employed, for the purposes of administration including placement, selection for promotion, providing financial rewards and other actions."

Beach has defined performance appraisal as follows:

"Performance appraisal is the systematic evaluation of the individual with regard to his or her performance on the job and his potential for development"

Thus, performance appraisal is a systematic evaluation of the performance of employees/personnel by their superiors or supervisors. These appraisals are generally used for making various administrative decisions relating to selection, training, promotion, transfer, wages, etc.

Performance appraisal is a method of evaluating the behavior of employees in the work spot, normally including both the quantitative and qualitative aspect of job performance. Performances here refer to the degree of accomplishment of the tasks that make up an individual's job. It indicates how well an individual is fulfilling the job demands. Often the term is confused with effort, but performance is always measured in terms of result and not efforts.

Performance Appraisal (PA) refers to all those procedures that are used to evaluate the personality, the performance, and the potential of its group members. Evaluation is different from judgment - the former being concerned with performance, the later with person. While evaluation deals with achievement of goals, judgment has an undercurrent of Personnel attack and is likely to evoke resistance.

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Formal appraisal of an individual's performance with the objective to improve the performance in future is known as performance evaluation. In simple words, Performance appraisal means periodic and systematic assessment of employees in terms of performance, aptitude, capabilities and other qualities which are necessary for successfully carrying out their jobs. It is a key ingredient of performance management. Performance appraisal helps the management to know the strengths and weaknesses of an employee. It is also described as merit rating in which an individual is ranked in comparison to other employees. The purpose behind such rating is to ascertain an employee's eligibility for promotion or demotion. Performance appraisal is also concerned with discovering eligibility of existing employees.

Performance appraisal could be informal or formal. Informal performance appraisal is a continuous process of feeding back information to the subordinates about how well they are doing their work in the organization. The informal appraisal is conducted on a day-to-day basis. For example, the manager spontaneously mentions that a particular piece of work was well performed or poorly performed. Because of the close connection between the behavior and the feedback on it, informal appraisal quickly encourages desirable performance and discourages undesirable performance before it becomes permanently ingrained. Therefore, informal appraisal must not be perceived merely as a casual occurrence but as an important activity, an integral part of the organization's culture. The formal performance appraisal occurs usually annually on a formalized basis and involves appraisee and appraiser in finding answers to the following questions:

- a) What performance was set out to be achieved during the period?
- b) Has it been achieved?
- c) What has been the shortfall and constraints?
- d) What are we going to do now?
- e) How will we know that we have done it?
- f) What kind of feedback can be expected?
- g) What assistance can be expected to improve performance?
- h) What rewards and opportunities are likely to follow from the performance appraisal?

When the employees have this type of information, they know what the organization expects from them; what assistance is available, and what can they expect when the required level of performance is achieved. This will increase employee acceptance of the appraisal process and result in the trust that the employee has in the organization. An environment that affords an opportunity for further growth while minimizing stressful situations will certainly enhance appraisal acceptance. Establishing this type of environment goes far beyond the performance appraisal process. Every aspect of managing people and their work relates to the improvement of their quality-of-work-life. Performance appraisal is an integral part of a trusting, healthy, and happy work environment that goes a long way in promoting the same.

Performance appraisal has been used for basically three purposes-

1. remedial,
2. maintenance, and
3. development

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A performance appraisal needs to cover all these three purposes with the same focus. If any purpose predominates, the system will become out of balance. For instance, if remedial purpose is foremost, then the performance appraisal may become a disciplinary tool, a form of a charge sheet, a tool of power instead of instrument of evaluation. If maintenance is the main objective, then the process may become a short skimped and per functionary ritual. If there is too much emphasis on development, then the focus talks on the future assignment rather than the current job.

Performance evaluation is systematic activity by means of which the organization determines the extent to which the employee is delivering per agreed objectives and this is aligned to business results. Generally speaking, the HR specialists design and implement the performance management system (PMS), and then train the line managers in the use the systems, and maintain the records.

Apart from focusing on performance, today's organizations are emphasizing the need for employee development focus in implementing an effective PMS. The line managers use the system to review employee performance and the normal steps include:

1. **Defining performance:** It includes setting performance targets and goals (usually for the span of a year) split into monthly or quarterly targets. These should ideally conform to the SMART principle of being Specific, Measurable, Achievable, Realistic and Time-bound. These are agreed to mutually by the manager as well as the employee at the beginning of the performance period. Most PMS require the employee and manager to enter it into a prescribed performance appraisal template and signed off by both prior to the commencement of the performance period or at the start of it.
2. **Measuring performance:** While it largely involves the assessment of the performance against the targets at the end of the assessment period/performance period. The focus is here on on-going review of the employee's performance by the manager throughout the year. This allows for the following:
 - a. Review progress and ascertain help/support the employee might need to complete the task per agreed standards
 - b. Recommend training or other on-the job / off-the job assistance that the employee might need to meet the deadlines.
 - c. Review the targets and commitments and make changes if required usually influenced by external factors that are impacting performance and review the targets upwards or even downwards.
3. **Feedback and coaching:** It focuses on the developmental needs of the employee which the manager might need to take care to enable the employee to successfully complete the job in the best possible manner.

FEATURES OF PERFORMANCE APPRAISAL:

1. Performance appraisal is the systematic description of an employee's job relevant strengths and weaknesses.
2. The basic purpose is to find out how well the employee is performing the job and establish a plan of improvement.
3. Appraisals are arranged periodically according to a definite plan.
4. Performance appraisal is not job evaluation. It refers to how well someone is doing the assigned job. Job evaluation determines how much a job is worth to the organization and there for, what range of pay should be assigned to the job.

5. Performance appraisal is a continuous process in every large scale organization.

OBJECTIVES OF PERFORMANCE APPRAISAL

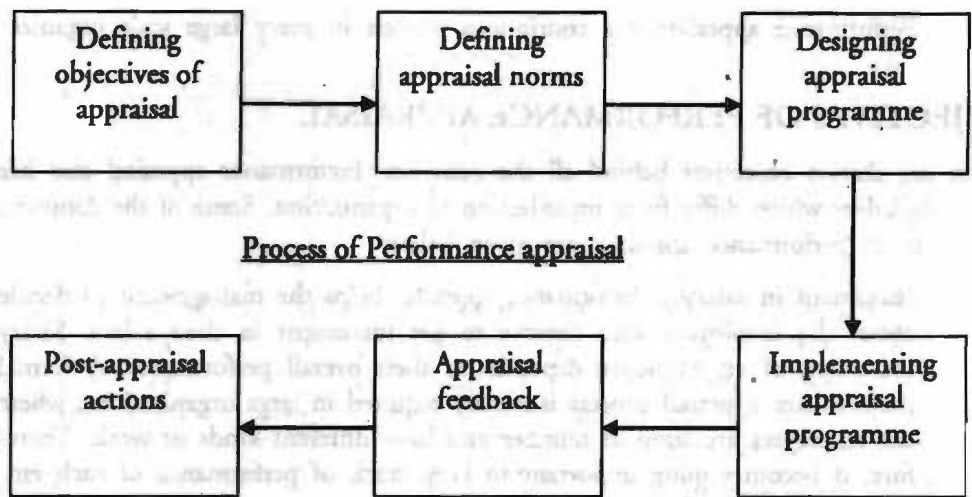
There are certain objectives behind all the activities. Performance appraisal also has some objectives which differ from organization to organization. Some of the common objectives of performance appraisal are given below:

1. **Increment in salary** : Performance appraisal helps the management to decide about the employees who deserve to get increment in their salary. Salary increment of an employee depends on their overall performance. A formal performance appraisal process is mostly required in large organizations, where the employees are large in number and have different kinds of work. Therefore, it becomes quite important to keep track of performance of each employee on regular basis.
2. **Promotion** : Promotion means an up gradation in the designation of employee in an organization. Promotion helps in increasing the motivation level of the employees. So in the light of performance appraisal and merit rating, organizations can easily decide the strong and weak points of their employees. And thus, it can be simply determined that which employee should be promoted to a higher level and which employee should be demoted to a lower level for its poor performance.
3. **Training and development** : Another objective of performance appraisal is to determine the number of employees who needs to be trained in respect of their poor performance. Performance appraisal identifies the strengths and weaknesses of an employee on his present job. Through this organizations get proper information about their employees and design an appropriate training program for them. Performance appraisal helps in identifying the actual training needs in an organization.
4. **Feedback** : Performance appraisal helps in disclosing the actual feedback report about the employees. This report tells the employees that where they stand. A person works better when he knows how he is working and how his efforts are contributing towards the achievement of the organizational goal. Hence, performance appraisal also provide satisfaction to an employee that his work is meaningful and worthy for the organization.
5. **Stress on employees** : Last objective of performance appraisal is to put a kind of stress on the employee for better performance. If the employees are conscious that they are being appraised for their work, they will have a tendency to show a positive and acceptable behavior in the organization and would strive to perform better.

PROCESS OF PERFORMANCE APPRAISAL

The process of performance appraisal can be conducted either on informal basis or on formal and systematic basis. The process of performance appraisal begins with establishment of objectives and ends with post appraisal actions. In small organizations, the performance appraisal process may be done informally with mere observation of employees. Though in large organizations, performance appraisal is done systematically and formally. The procedure commonly followed in large organizations is as follows:

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- 1) **Defining objectives of appraisal:** The first step in performance appraisal process is to design the objectives of the appraisal. There can be different types of objectives of appraisal depending upon its purpose. For example: if the appraisal is directed for reward-giving motive, then the objective will be to search for the most efficient employee. And in case if the objective is related to training program, then the objective will be looking for weak areas of the employees.
- 2) **Defining Appraisal norms:** Generally norms define certain standards or criteria to distinguish the employees. When we conduct an appraisal, we should clearly define our judging standards (norms) on what basis we will shortlist the employees.
- 3) **Designing Appraisal programme:** The appraisal programme tackles with issues like types of personnel to be appraised, types of personnel to act as appraisers, appraisal methodology, and timing of appraisal.
- 4) **Implementing appraisal programme:** Next step is to implement the stated appraisal. Later the results of the appraisal are communicated to HR department for follow up actions.
- 5) **Appraisal Feedback:** The most crucial stage in appraisal process is feedback stage. Complications arise when the feedback of an employee does not match the expectations of the appraisee. It may be possible that such expectations of employees are based on false premises; even then it may cause dissatisfaction and restlessness. To solve this problem to some extent, the feedback can be quite objective and rational so that it can be explained to the employees.
- 6) **Post-appraisal actions:** Last step is post appraisal actions. It is followed by certain rewards and guidance and counseling to the employees in order to motivate the employees to work harder for the achievement of organizational goals.

TYPES OF APPRAISAL METHODS

Ideally every individual in any organization needs to be appraised. The appraisal system should be able to take care of this, and it shall also meet the needs and the objectives of the organization meet. On broad way to categorize, the type of appraisal template used to assess performance, focuses on what the organization wishes to measure:

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1) Trait-based Appraisal:

It is used to assess personality or personal characteristics, loyalty, communication skills, level of initiative, decision making etc.. This is common in companies that are in the business of service, and customer satisfaction. While it is difficult to define the criteria accurately, rater/manager bias is high, and as the focus is on personal attributes providing feedback is a challenge.

2) Behaviour-based Appraisal:

It focuses on the appraisal of what an employee 'does' on the job. It evaluates behaviour and measures what an employee should do differently. This is common in customer facing organizations, like the hospitality / NGO companies. As the focus is on the assessment of behaviour rater/manager bias remains a challenge here as well.

3) Results-based Appraisal:

measures objective results of work. The focus is on the outcome/deliverables from the job, and this alone serves as the measure for success. It may not be possible to use in jobs which depend on team work or where the job is service / support based.

Most organizations use a combination of trait, behaviour and results in their appraisal systems as all three are important. It provides for a holistic and fair assessment of the individual aspects: teaching, research and service. Performance in each of these three areas is defined with different outcome measures.

Performance on the job as a whole would be equal to the sum (or average) of the performance on each of the job functions/ activities within the job. Note that the function has to do with the work that is to be performance and not the characteristics of the person performing. Unfortunately many performance- appraisal systems confuse measures of performance with measures of the person. The definition of performance refers to a set of outcomes produced during a certain time period; it does not refer to the traits, personal characteristics or "competencies" of the performer.

METHODS OF PERFORMANCE APPRAISAL

Traditional Methods of performance appraisal

1. Ranking method
2. Essay method
3. Paired comparison
4. Critical incidents method
5. Field review method
6. Checklist method
7. Graphic rating method
8. Forced distribution method

Modern methods

1. Appraisal by result or objectives
2. Behaviorally anchored rating scales
3. Assessment centre
4. 360 degree appraisal

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Traditional Methods of performance appraisal

- **Ranking Method** : This is one of the oldest and simplest techniques of performance appraisal. This is just like preparing ranks of various examinees in an examination. In this method, the appraiser ranks the employees from the best to the poorest on the basis of their overall performance. It is quite useful for a comparative evaluation.
- **Essay method** : Some of the companies use free essay method which emphasizes on certain predefined standards. This traditional form of appraisal, also known as "Free Form method" involves a description of the performance of an employee by his superior. The description is an evaluation of the performance of any individual based on the facts. This often includes examples and evidences to support the information provided by the appraisers.
- **Paired comparison** : A better technique of comparison than the straight ranking method, this method compares each employee with all others in the group, one at a time. After all the comparisons, the employees are given the final rankings.
- **Critical incidents methods** : In this method of Performance appraisal, the evaluator rates the employee on the basis of critical events and how the employee behaved during those incidents. The drawback of this method is that the supervisor has to note down the critical incidents and the employee's behavior as and when they occur. It includes both negative and positive points.
- **Field review** : In this method, a senior member of the HR department or a training officer discusses and interviews the supervisors to evaluate and rate their respective subordinates. A major drawback of this method is that it is a very time consuming method. But this method helps to reduce the superiors' personal bias.
- **Checklist method** : The appraiser is given a checklist of the descriptions of the behavior of the employees on job. The checklist contains a list of statements on the basis of which the appraiser describes on the job performance of the employees. Here a checklist of behaviour descriptions is pre less arranged and each person is evaluated against such list. Rater merely record the list and a separate group can allocate weight ages for each list and finally arrive at total points or marks obtained. This is a special type of checklist. Rater has to choose between two statements or more, all of which may be favorable or unfavorable. Appraiser's job is to select that statement which is most appropriate to describe the employee. Sample statements for a salesman may be framed as follows:
 - Slow but steady
 - Avoid risks
 - Consult headquarters on important decisions
 - Meet the customer with confidence
 - Friendly and informal
 - Plain speaking.Here the rater does not know the desirable answer for a particular job. This is available in the 'key' kept confidential either in computer or files. The answers of rating are fed into the computer and marks obtained with the help of keys.
- **Graphic rating scale** : In this method, an employee's quality and quantity of work is assessed in a graphic scale indicating different degrees of a particular

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trait. The factors taken into consideration include both the personal characteristics and characteristics related to on the job performance of the employees.

For example, a trait like Job Knowledge may be judged on the scale of average, above average, outstanding or unsatisfactory.

- **Forced distribution** : To eliminate the element of bias from the appraiser's ratings, the evaluator is asked to distribute the employees in some fixed categories of ratings like on a normal distribution curve.

Modern methods

- **Appraisal by result or objectives** : One of the most common and recognized modern method of performance appraisal is appraisal by result or objectives. This method is concerned with achievement of objectives through the contributions of individual. This method comprises of certain actions like:
 - Joint process between superior and his subordinates
 - Objectives are set usually for a short period, like one year
 - Decisions are taken through mutual consideration
 - Evaluation is made after completion of target period
- **Assessment centre** : An assessment centre is a central location where managers come together and participate in a number of exercises, on the basis of which they are evaluated by a panel of raters. This concept is first started in German Army to evaluate the performance the soldiers. The purpose of this method is to test candidates in a social situation using a number of assessors and a variety of procedures. The most important feature of the assessment center is job-related stimulations. This stimulation includes the characteristics that managers feel are important for the job. On this basis the evaluators evaluate the employees.
- **Behaviorally anchored rating scales [BARS]** : From 1960's, many organizations have moved towards the appraisal of employees performance through behavioral based techniques. BARS approach focuses more on critical behaviors that are related to specific job dimensions.

Behaviorally anchored scales, sometimes called behaviour expectation scales, are rating scales whose scale points are determined by statements of effective and ineffective behaviors. They are said to be behaviorally anchored in that the scales represent a range of descriptive statements of behaviour varying from the least to the most effective. BARS have the following features:

1. Areas of performance to be evaluated are identified and defined by the people who will use the scales.
2. The scales are anchored by descriptions of actual job behaviour that, supervisors agree, represent specific levels of performance. The result is a set of rating scales in which both dimensions and anchors are precisely denned.
3. All dimensions of performance to be evaluated axe based on observable behaviours and relevant to the job being evaluated since BARS are tailor-made for the job.
4. Since the raters who will actually use the scales are actively involved in the development process, they are more likely to be committed to the final product.

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The procedure for BARS is usually five stepped.

- **Generate Critical Incidents:** Persons with knowledge of the job to be appraised (job holders/supervisors) are asked to describe specific illustrations (critical incidents) of effective performance behaviour.
- **Develop Performance Dimensions:** These people then cluster the incidents into a smaller set (or say 5 or 10) of performance dimensions. Each cluster (dimension) is then defined.
- **Reallocate Incidents:** Any group of people who also know the job then reallocate the original critical incidents. They are given the cluster's definitions, and critical incidents, and asked to redesign each incident to the dimension it best describes. Typically a critical incident is retained if some percentage (usually 50 to 80%) of this group assigns it to the same cluster as the previous group did.
- **Scale of Incidents:** This second group is generally asked to rate (7 or 9 point scales are typical) the behaviour described in the incident as to how effectively or ineffectively it represents performance on the approximate dimension.
- **Develop Final Instrument:** Subsets of incidents (usually 6 or 7 per cluster) used as "behaviour anchors" for the performance dimensions.

BARS were developed to provide results that subordinates could use to improve performance. Superiors would feel comfortable to give feedback to the ratees.

Further, BARS help overcome rating errors. Unfortunately, this method too suffers from distortions inherent in most rating techniques. Though BARS technique is more time-consuming and expensive than other appraisal tools, yet it has got certain advantages, such as:

1. **A more accurate gauge,** since person's expert in the technique does BARS, the results are sufficiently accurate.
2. **Clear Standards:** The critical, incidents along the scale help to clarify what is meant by "extremely good" performance, "average" performance and so forth.
3. **Feedback:** The use of critical incidents may be more useful in providing feedback to the people being appraised.
4. **Independent dimension:** - Systematically clustering tri& critical incidents into 5 or 6 performance dimensions, helps in making the dimensions more independent of one another.
5. **Rater - Independence:** The technique is not biased by the experience and evaluation of the rater.
6. **Field review method:** This is an appraisal by someone outside the assessee's own department, usually someone from the corporate office or the HR Dept. The outsider reviews employee records and holds interviews with the ratee and his or her supervisor. The method is primarily used for making promotional decision at the managerial level. Field reviews are also useful when comparable information is needed from employees in different units or locations.
7. **Performance Tests and observations:** With a limited number of jobs, employee assessment may be based upon a test of knowledge or skills. The test may be of the paper-and-pencil variety or an actual demonstration of skills. The test must be reliable and validated to be useful. Even then, performance tests are conducted to measure potential more than actual performance. In order for the test to the job related, observations should be made under circumstances likely to be

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encountered. Practically may suffer if costs of test development or administration are high.

8. **Confidential Records:** Confidential records are maintained mostly in government departments, though its application in the industry is not ruled out.
9. **Essay method:** In the essay method, the rater must describe the employee within a number of broad categories, such as (i) the rater's overall impression of the employee's performance, (ii) the profitability of the employee, (iii) the jobs that the employee is now able or qualified to perform, (iv) the strengths and weakness of the employee, and (v) the training and the development assistance required by the employee.

Although this method may be used independently, it is most frequently found in combination with others. It is extremely useful in filling information gaps about the employees that often occur in the better-structured checklist method.

10. **Cost Accounting method/ Human asset accounting method:** This method evaluates from the monetary returns the employee yields to his her org. A relationship is established between the cost included in keeping the employee and the benefit the org derives from him or her. Performance of the employee is then evaluated based on the established relationship between the cost and the benefit.

The current value of a firm's human organization can be appraised by developed procedures, by undertaking periodic measurements of "key casual" and "intervening enterprise" variables. They key causal variables include the Structure of an organization's management policies, decisions, business leadership, strategies, skills and behaviour. The intervening variables reflect the internal state and health of an organization. They include loyalties, attitudes, motivations, and collective capacity for effective interaction, communication and decision-making. These two types of; variable measurements must be made over several years to provide the needed data for the computation of the human asset.

- **360 degree appraisal :** This method is concerned with systematically collecting data on a person's skills, abilities and behavior from a variety of sources.

Typically, performance appraisal has been limited to a feedback process between employees and Managers. However, with the increased focus on teamwork, employee development, and customer service, the emphasis has shifted to employee feedback from the full circle of sources depicted in the diagram below. This multiple-input approach to performance feedback is sometimes called "360-degree assessment" to connote that full circle.

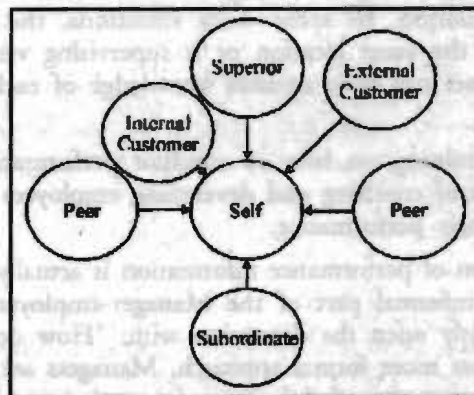


Figure: The 360 degree matrix

There are no prohibitions in law or regulation against using a variety of rating sources, in addition to the employee's Manager, for assessing performance. Research has shown assessment approaches with multiple rating sources provide mor

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rate, reliable, and credible information. For this reason, HR Management supports the use of multiple rating sources as an effective method of assessing performance for formal appraisal and other evaluative and developmental purposes.

The circle, or perhaps more accurately the sphere, of feedback sources consists of Managers, peers, subordinates, customers, and one's self. It is not necessary, or always appropriate, to include all of the feedback sources in a particular appraisal program. The organizational culture and mission must be considered, and the purpose of feedback will differ with each source. For example, subordinate assessments of a Manager's performance can provide valuable developmental guidance, peer feedback can be the heart of excellence in teamwork, and customer service feedback focuses on the quality of the team's or agency's results. The objectives of performance appraisal and the particular aspects of performance that are to be assessed must be established before determining which sources are appropriate. We shall discuss the contributions of each source of ratings and feedback. In addition, precautions are listed to consider when designing a performance management program that includes 360-degree assessment.

Superiors: Evaluations by superiors are the most traditional source of employee feedback. This form of evaluation includes both the ratings of individuals by Managers on elements in an employee's performance plan and the evaluation of programs and teams by senior managers.

What does this source contribute?

1. The first-line Manager is often in the best position to effectively carry out the full cycle of performance management: Planning, Monitoring, Developing, Appraising, and Rewarding. The Manager may also have the broadest perspective on the work requirements and be able to take into account shifts in those requirements.
2. The superiors (both the first-line Manager and the senior managers) have the authority to redesign and reassign an employee's work based on their assessment of individual and team performance.
3. Most Government employees in a national survey felt that the greatest contribution to their performance feedback should come from their first-level Managers.

What cautions should be addressed?

1. Research demonstrates that appraisal programs that rely solely on the ratings of superiors are less reliable and valid than programs that use a variety of other rating sources to supplement the Manager's evaluation.
2. Superiors should be able to observe and measure all facets of the work to make a fair evaluation. In some work situations, the Manager or rating official is not in the same location or is supervising very large numbers of employees and does not have detailed knowledge of each employee's performance.
3. Managers need training on how to conduct performance appraisals. They should be capable of coaching and developing employees as well as planning and evaluating their performance.

Self Assessment: This form of performance information is actually quite common but usually used only as an informal part of the Manager-employee appraisal feedback session. Managers frequently open the discussion with: "How do you feel you have performed?" In a somewhat more formal approach, Managers ask employees to identify the key accomplishments they feel best represent their performance in critical and non-critical performance elements. In a 360-degree approach, if self-ratings are going to be included, structured forms and formal procedures are recommended.

What does this source contribute?

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1. The most significant contribution of self-ratings is the improved communication between Managers and subordinates that result.
2. Self-ratings are particularly useful if the entire cycle of performance management involves the employee in a self-assessment. For example, the employee should keep notes of task accomplishments and failures throughout the performance monitoring period.
3. The developmental focus of self-assessment is a key factor. The self-assessment instrument (in a paper or computer software format) should be structured around the performance plan, but can emphasize training needs and the potential for the employee to advance in the organization.
4. The value of self-ratings is widely accepted. More than half of government employees felt that self-ratings would contribute "to a great or very great extent" to fair and well-rounded performance appraisal.
5. Self-appraisals should not simply be viewed as a comparative or validation process, but as a critical source of performance information. Self-appraisals are particularly valuable in situations where the Manager cannot readily observe the work behaviors and task outcomes.

What cautions should be addressed?

1. Research shows low correlations between self-ratings and all other sources of ratings, particularly Manager Ratings. The self-ratings tend to be consistently higher. This discrepancy can lead to defensiveness and alienation if Managers do not use good feedback skills.
2. Sometimes self-ratings can be lower than others'. In such situations, employees tend to be self-demeaning and may feel intimidated and "put on the spot."
3. Self-ratings should focus on the appraisal of performance elements, not on the summary level determination. A range of rating sources, including the self-assessments, help to "round out" the information for the summary rating.

Peers: With downsizing and reduced hierarchies in organizations, as well as the increasing use of teams and group accountability, peers are often the most relevant evaluators of their colleagues' performance. Peers have a unique perspective on a co-worker's job performance and employees are generally very receptive to the concept of rating each other. Peer ratings can be used when the employee's expertise is known or the performance and results can be observed. There are both significant contributions and serious pitfalls that must be carefully considered before including this type of feedback in a multifaceted appraisal program.

What does this source contribute?

1. Peer influence through peer approval and peer pressure is often more effective than the traditional emphasis to please the boss. Employees report resentment when they believe that their extra efforts are required to "make the boss look good" as opposed to meeting the unit's goals.
2. Peer ratings have proven to be excellent predictors of future performance. Therefore, they are particularly useful as input for employee development.
3. Peer ratings are remarkably valid and reliable in rating behaviors and "manner of performance," but may be limited in rating outcomes that often require the perspective of the Manager.
4. The use of multiple Raters in the peer dimension of 360-degree assessment programs tends to average out the possible biases of any one member of the group of Raters. (Some agencies eliminate the highest and lowest ratings and average the rest.)

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5. The increased use of self-directed teams makes the contribution of peer evaluations the central input to the formal appraisal because by definition the Manager is not directly involved in the day-to-day activities of the team.
6. The addition of peer feedback can help move the Manager into a coaching role rather than a purely judging role.

What cautions should be addressed ?

1. Peer evaluations are almost always appropriate for developmental purposes, but attempting to emphasize them for pay, promotion, or job retention purposes (i.e., the rating of record) may not be prudent. The possible exception is in an award program as opposed to performance appraisal. Peer input can be effectively used for recognition and awards.
2. There is a difference of opinion about the need for anonymity of the peer evaluators. Generally, it is advised that the identities of the Raters be kept confidential to assure honest feedback. However, in close-knit teams that have matured to a point where open communication is part of the culture, the developmental potential of the feedback is enhanced when the evaluator is identified and can perform a coaching or continuing feedback role.
3. It is essential that the peer evaluators be very familiar with the team member's tasks and responsibilities. In cross-functional teams, this knowledge requirement may be a problem. In these situations, the greatest contribution the peers can make pertains to the behaviors and effort (input) the employee invests in the team process.
4. The use of peer evaluations can be very time consuming. When used in performance ratings, the data would have to be collected several times a year in order to include the results in progress reviews.
5. Depending on the culture of the organization, peer ratings have the potential for creating tension and breakdown rather than fostering cooperation and support. A very competitive program for rewarding individuals in the agency will often further compromise the value of peer rating systems.
6. Employees and their representatives need to be involved in every aspect of the design of appraisal systems that involve peer ratings.

Subordinates: An upward-appraisal process or feedback survey (sometimes referred to as SAM for a "Subordinates Appraising Managers") is among the most significant and yet controversial features of a "full circle" performance evaluation program. Both managers being appraised and their own superiors agree that subordinates have a unique, often essential, perspective. The subordinate ratings provide particularly valuable data on performance elements concerning managerial behaviors. However, there is usually great reluctance, even fear, concerning implementation of this rating dimension. On balance, the contributions can outweigh the concerns if the precautions noted below are addressed.

What does this source contribute?

1. A formalized subordinate feedback program will give Managers a more comprehensive picture of employee issues and needs. Managers and Managers who assume they will sufficiently stay in touch with their employees' needs by relying solely on an "open door" policy get very inconsistent feedback at best.
2. Employees feel they have a greater voice in organizational decision making and, in fact, they do. Through managerial action plans and changes in work processes, the employees can see the direct results of the feedback they have provided.
3. The feedback from subordinates is particularly effective in evaluating the Manager's interpersonal skills. However, it may not be as appropriate or valid for evaluating task-oriented skills.

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4. Combining subordinate ratings, like peers rating, can provide the advantage of creating a composite appraisal from the averaged ratings of several subordinates. This averaging adds validity and reliability to the feedback because the aberrant ratings get averaged out and/or the high and low ratings are dropped from the summary calculations.

What cautions should be addressed?

1. The need for anonymity is essential when using subordinate ratings as a source of performance feedback data. Subordinates simply will not participate, or they will give gratuitous, dishonest feedback, if they fear reprisal from their Managers. If there are fewer than four subordinates in the rating pool for a particular manager, the ratings (even though they are averaged) should not be given to the Manager.
2. Managers may feel threatened and perceive that their authority has been undermined when they must take into consideration that their subordinates will be formally evaluating them. However, research suggests that Managers who are more responsive to their subordinates, based on the feedback they receive, are more effective managers.
3. Subordinate feedback is most beneficial when used for developmental purposes. It also can be used in arriving at the performance rating of record, but precautions should be taken to ensure that subordinates are appraising elements of which they have knowledge. For example, if a Manager's performance plan contains elements that address effective leadership behaviors, subordinate input would be appropriate. It may not be appropriate for the employee to appraise the Manager's individual technical assignments.
4. Only subordinates with a sufficient length of assignment under the manager (at least 1 year is the most common standard) should be included in the pool of assessors. Subordinates currently involved in a disciplinary action or a formal performance improvement period should be excluded from the rating group.
5. Organizations currently undergoing downsizing and/or reorganization should carefully balance the benefits of subordinate appraisals against the likelihood of fueling an already tense situation with distrust and paranoia.

Customers: Setting Customer Service Standards requires agencies to survey internal and external customers, publish customer service standards, and measure agency performance against these standards. Internal customers are defined as users of products or services supplied by another employee or group within the agency or organization. External customers are outside the organization and include, but are not limited to, the general public.

What does this source contribute?

1. Customer feedback should serve as an "anchor" for almost all other performance factors. Combined with peer evaluations, these data literally "round out" the performance feedback program and focus attention beyond what could be a somewhat self-serving hierarchy of feedback limited to the formal "chain of command."
2. Including a range of customers in the 360-degree performance assessment programme expands the focus of performance feedback in a manner considered absolutely critical to reinventing Government Employees, typically, only concentrate on satisfying the standards and expectations of the person who has the most control over their work conditions and compensation. This person is generally their Manager. Service to the broader range of customers often suffers if it is neglected in the feedback process.

What cautions should be addressed?

1. With few exceptions, customers should not be asked to assess an individual employee's performance. The value of customer service feedback is most

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appropriate for evaluating team or organizational output and outcomes. This feedback can then be used as part of the appraisal for each member of the team. The possible exceptions are evaluations of senior officials directly accountable for customer satisfaction and evaluations of individual employees in key "front line" jobs personally serving internal or external customers.

2. Customers, by definition, are better at evaluating outputs (products and services) as opposed to processes and working relationships. They generally do not see or particularly care about the work processes, and often do not have knowledge of how the actions of employees are limited by regulations, policies, and resources.
3. Designing and validating customer surveys are an expensive and time-consuming process. The time and money are best spent developing customer feedback systems that focus on the organization or work unit as a whole.

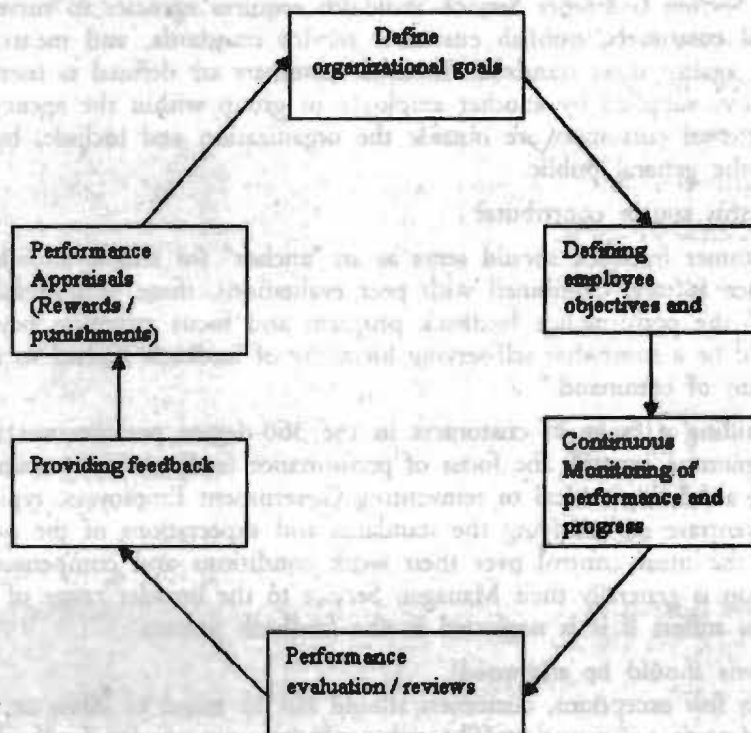
In India the use of the 360 degree as a performance assessment tool has not found many followers. Companies like Wipro and even IBM use it for middle and senior managers only and it is used purely for developmental purposes only. The concerned manager receives the feedback directly and he can then work with a mentor or his own manager to identify development areas and improve on them.

Management by Objective:

The concept of 'Management by Objectives' (MBO) was first given by *Peter Drucker* in 1954. It can be defined as a process whereby the employees and the superiors come together to identify common goals, the employees set their goals to be achieved, the standards to be taken as the criteria for measurement of their performance and contribution and deciding the course of action to be followed.

The essence of MBO is participative goal setting, choosing course of actions and decision making. An important part of the MBO is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees themselves have been involved with the goal setting and the choosing the course of action to be followed by them, they are more likely to fulfill their responsibilities.

THE MBO PROCESS



UNIQUE FEATURES AND ADVANTAGES OF MBO

The principle behind Management by Objectives (MBO) is to create empowered employees who have clarity of the roles and responsibilities expected from them, understand their objectives to be achieved and thus help in the achievement of organizational as well as personal goals.

Some of the important features and advantages of MBO are:

- **Clarity of goals** – With MBO, came the concept of SMART goals i.e. goals that are:
 - Specific
 - Measurable
 - Achievable
 - Realistic, and
 - Time bound.
- The goals thus set are clear, motivating and there is a linkage between organizational goals and performance targets of the employees.
- The focus is on future rather than on past. Goals and standards are set for the performance for the future with periodic reviews and feedback.
- **Motivation** – Involving employees in the whole process of goal setting and increasing employee empowerment increases employee job satisfaction and commitment.
- **Better communication and Coordination** – Frequent reviews and interactions between superiors and subordinates helps to maintain harmonious relationships within the enterprise and also solve many problems faced during the period.

ASSESSMENT CENTER:

The assessment center method involves multiple evaluation techniques, including various types of job-related simulations, and sometimes interviews and psychological tests.

Common job simulations used in assessment centers are:

- in-basket exercises
- group discussions
- simulations of interviews with “subordinates” or “clients”
- fact-finding exercises
- analysis/decision-making problems
- oral presentation exercises
- written communication exercises

Simulations are designed to bring out behavior relevant to the most important aspects of the position or level for which the assessee are being considered. Known as “dimensions” (or competencies), these aspects of the job are identified prior to the assessment center by analyzing the target position. A job analysis procedure identifies the behaviors, motivations, and types of knowledge that are critical for success in the target position. During assessment, the job simulations bring out assessee’s behavior or knowledge in the target dimensions.

A traditional assessment center involves six participants and lasts from one to three days. As participants work through the simulations, they are observed by assessors

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(usually three line managers) who are trained to observe and evaluate behavior and knowledge level. Assessors observe different participants in each simulation and take notes on special observation forms. After participants have completed their simulations, assessors spend one or more days sharing their observations and agreeing on evaluations. If used, test and interview data are integrated into the decision-making process. The assessors' final assessment contained in a written report, details participants' strengths and development needs, and may evaluate their overall potential for success in the target position if that is the purpose of the center.

Perhaps the most important feature of the assessment center method is that it relates not to current job performance, but to future performance. By observing how a participant handles the problems and challenges of the target job or job level (as simulated in the exercises), assessors get a valid picture of how that person would perform in the target position. This is especially useful when assessing individuals who hold jobs that don't offer them an opportunity to exhibit behavior related to the target position or level. This is often the case with individuals who aspire to management positions but presently hold positions that don't give them an opportunity to exhibit management-related behavior on the job.

In addition to improved accuracy in diagnosis and selection, the organization that operates an assessment center enjoys a number of indirect benefits. Candidates accept the fairness and accuracy of promotion decisions more readily and have a better understanding of job requirements. Training managers to be assessors increases their skills in many other managerial tasks, such as handling performance appraisals and conducting coaching and feedback discussions.

ICEBREAKING TECHNIQUES OF TRAINING

Icebreaking techniques are used in training programmes, especially at the beginning, in order to promote interaction among participants and resource persons. Icebreaking is also useful for reducing shyness and lack of confidence among participants. If successfully applied, icebreaking can make participants more enthusiastic and willing to take part in the training activities. Icebreaking can provide amusement, relieve boredom, reduce tension and stimulate creative thinking. When we select icebreaking activities we should consider those that ensure physical movement and/or mental exercise. Depending on circumstances, we can organize activities that require the involvement of participants as a group or their participation as individuals.

USE OF APPRAISAL DATA

The final step in evaluation process is the use of appraisal data. The data and information generated through performance evaluation must be used by the HR dept.

In one way or the other, data and information outputs of performance-appraisal programme can critically influence the employer-employee reward opportunities. Specifically, the data and information will be useful in the following areas in HRM:

- Remuneration administration
- Validation of selection programmes
- Employee training and development programmes
- Promotion, transfer and lay-off decisions
- Grievance and discipline programmes
- HR planning

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Formal versus Informal Appraisal:

The first step in designing an appraisal programme is to decide whether the appraisal should be formal or informal. Formal appraisals usually occur at specified time periods- once or twice a year. Formal appraisals are most often required by the organization for the purpose of employee evaluation. Informal performance appraisal can occur whenever the supervisor feels the need for communication. For example, if the employee has been consistently meeting or executing standards, and informal appraisal may be in order to simply recognize this fact.

Many organizations encourage a mixture of both formal and informal appraisals. The formal appraisal is most often used as primary evaluation. However, the informal appraisal is very helpful for more performance feedback. Informal appraisals should not take the place of formal performance evaluation.

REQUIREMENTS OF A GOOD APPRAISAL SYSTEM:

1. It must be easily understandable: -If the system is too much complex or too time consuming, it may be anchored to the ground by its own dead weight of complicated forms which nobody but the experts understands.
2. It must have support of all line people who administer it: -If the line people think that their role is not very important then they will not consider the system seriously. Similarly, if the people find that the system is too theoretical, too ambitious, or that has been foisted on them by the ivory-tower staff consultants who have no comprehension of the demand then they will reject it.
3. The system should be sufficiently grounded in the requirement of the organization: -It should reflect the value system of the organization. In fact functioning as a definition of performance, it should tell the employee what set of activities or what qualities are considered desirable by the organization. As such it should have linkage with the job description.
4. The system should be both valid and reliable: -The validity of the ratings is the degree to which they are truly indicative of the intrinsic merit of the employees. The reliability of the ratings is the consistency with which the ratings are made, either by different sectors, one by one rater at different times. Both validity and reliability result from objectivity. The appraisal system of many organizations lacks this objectivity and bunches all employees into one or two top ranks without taking into account their merits. This raises outstanding performances but also raises doubts about the validity of the system.
5. The system should have built-in incentive: -This means that the reward should follow satisfactory performance. Many authors however, advocate against the direct linkage between the appraisal and rewards. In their opinion, such a connection throttles downward communication of performance appraisal because superiors do not like being questioned by disgruntled subordinates.
6. The system should be open and participative: -It should involve employees in goal-setting process. This helps in planning performance better.
7. The systems should focus more on the development and growth: -Of the employee than on generating data for administrative decision making related to promotions, increments, etc. the system must help in identifying employee's strengths and weaknesses and indicate corrective actions. For example it may reveal that goals need to be modified on; there is need for classification of duties or for additional training or job rotation or job enrichment.

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ADVANTAGES OF PERFORMANCE APPRAISAL

1. **Compensation:** Performance Appraisal helps in defining proper compensation packages for employees. Through Merit rating system, performance appraisal gives worth to a performance. Compensation package includes bonus, high salary rates, extra benefits, allowances and perquisites. These packages can be adequately determined through performance appraisal. The criteria should be merit rather than seniority.
2. **Promotion:** Performance Appraisal helps the supervisors to determine promotion programmes for efficient employees. Consequently, inefficient workers can be dismissed or demoted and efficient workers can be promoted.
3. **Employees Development:** The systematic procedure of performance appraisal helps the supervisors to frame training policies and programmes. It helps to analyze strengths and weaknesses of employees. It also helps in framing future development programmes.
4. **Selection Validation:** Performance Appraisal helps the supervisors to understand the validity and importance of the selection procedure. The supervisors come to know the validity and thereby the strengths and weaknesses of selection procedure. Future changes in selection methods can be made in this regard.
5. **Communication:** For an organization, effective communication between employees and employers is very important. Through performance appraisal, the employers can understand and accept skills of subordinates. The subordinates can also understand and create a trust and confidence in superiors. It develops the spirit of work and boosts the morale of employees.
6. **Motivation:** Performance appraisal serves as a motivation tool. Through evaluating performance of employees, a person's efficiency can be determined if the targets are achieved. This motivates a person for better job and helps him to improve his performance in the future.

PITFALLS OF PERFORMANCE APPRAISAL

Performance appraisal helps management to collect data on human resources and use it for enhancing responsiveness of the organization. Since performance appraisal is done by people who have emotions, there will always be some subjectivity. Though criterion could be stipulated, Personnel likings and biases will influence the evaluation. Every assessor has a price-expectation of a particular type of behavior. An appraisee, who meets it, will get higher assessment. Being subjective in nature, there are certain pitfalls which need to be guarded against. It must be appreciated that the issue of performance appraisal is very sensitive to the appraisee but its use affects his present position, status, and self-esteem and career growth. Performance appraisal system must not only be fair, equitable and transparent, but it must be perceived to be so. This can happen only if the system has in-built transparency. Some of the common pitfalls encountered in performance appraisal are the following:

1. **Shifting standards:** - Performance appraisal should be based on uniform and fair standards, in case employees might get confused and the organization might not be able to decide as to who is suitable and therefore should be promoted. For example, last year quality was the criteria for performance evaluation but the boss decides to judge them this year on the basis of quantity.
2. **Different rater's patterns:** - Managers differ in rating style - some rate harshly whereas others are quite lenient. This can be reduced by precise definition

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on the appraisal form. For instance, dependability may be defined as confidence you have in the employee to carry out instructions and the extent to which you can rely on his ability, punctuality and attendance. Subjectivity can also be moderated through a 'multi-layer appraisal system', where the immediate superior initiates the report which is reviewed by next higher level.

3. **Central tendency:** - Many appraisal forms require the appraiser to justify outstanding or poor assessments. So many raters may prefer an easier path of rating most people as 'average'.
4. **First impression:** - Some raters may form an overall impression based on some specific qualities or features of the ratee in the first meeting itself and carry it forward. Making assessment on too short a time span and inadequate knowledge is incorrect.
5. **Latest behavior:** - At times, the appraisal is influenced by the most recent behavior, ignoring the most commonly engendered behavior during the entire period. Thus, a usually sober person may be treated as arrogant because he expressed his opinion.
6. **Halo effect:** - Some raters have a tendency to rate high/low on all performance measures based on one of their characteristics. For example, an employee who is just an average work performer but is very good in cricket and plays Ranji trophy may be given high overall rating. One who does not shave regularly may be assessed as low at workplace also. This can be reduced by rating employees on coach of the performance measures.
7. **Horn effect:** - Highly critical bosses have a tendency to compare performance of their subordinates with 'what they did'. This is not correct because the performance also depends upon the situation. For example, a salesman now operates in a 'buyer's market' is against the 'seller's market' of yesterday.
8. **Stereotyping (Rater's Bias):** - Some raters have a standard mental picture about a person because of that person's sex, color, caste, religion, age, style of clothing, political view, etc. Stereotyping results in an oversimplified view. Such assessments are based on false assumptions/feelings, rather than facts. Discretion should not become discrimination.
9. **Spill-over effect:** - This is allowing past performance to influence present evaluation. In some organizations, when an employee reports on transfer, his earlier reports are also transferred along. This biases the mind of the new boss.

There are other pitfalls such as taking too short appraisal interviews and failing to support opinions with evidence, inadequate briefing of the appraisee and over-judging performance. In some of the organizations, such as PSUs, there is a system called CCR (Character Confidential Roll) - a system started by East India Company. Since it is confidential, it can be manipulated. The corporate world realized its disadvantages and introduced self-appraisal systems.

CONSTRAINTS OF PERFORMANCE APPRAISAL:

An interaction with over 100 managers of various backgrounds in BHEL highlighted the following common constraints in implementing 'performance feedback' as perceived by them:

- a) A work culture not so conducive to proper giving and receiving of feedback.

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- b) Lack of appreciation about the philosophy and benefits of performance feedback.
- c) Lack of willingness of superiors/top management in adopting this practice.
- d) Fears and apprehensions about the use of performance feedback outcomes.
- e) Confidentiality in the existing performance appraisal system.
- f) Interference by the trade unions in case of workers.
- g) Lack of proper system/procedure.
- h) Lack of accountability.
- i) Lack of clarity on role, goal, job demands, etc.
- j) No direct linkages of performance feedback system with rewards/punishment.
- k) Lack of proper skill in performance analysis and giving feedback.
- l) Constraint of time availability.
- m) Personnel bias and subjectivity.
- n) Non-uniformity in the criteria of performance analysis.
- o) Lack of trust and openness in people and conservativeness.
- p) Heterogeneous interest.
- q) Low motivation.
- r) Target achievement oriented system.
- s) Non recognition of the effort in subordinate development.

POTENTIAL EVALUATION

Potential Appraisal or evaluation is another powerful tool of employee development. Every time a manager recommends or fails to recommend an employee for a promotion, a potential assessment has, in fact, been made. The process of assessing the managerial potential of employees deals with the question of whether or not they have the ability to handle positions in the future which involve considerably more responsibility than what they have right now. As long as individuals are viewed as being able to handle increased or different responsibilities, they would be considered to have potential (either latent or visible).

Potential appraisal may thus be defined as a process of determining an employee's strengths and weaknesses with a view to use this as a predictor of his future performance. This would help to determine the promotability of an individual to a higher position and help chalk out his career plan. The fundamental difference between reviewing performance and assessing potential is in the criteria used reviewing performance, the criterion used is what goals the employee achieved and what skills he or she currently possesses that could be indicators of his or her ability to assume different or more advanced responsibilities.

It is this, which makes potential appraisal a very crucial & critical area. If an employee without requisite abilities is promoted to a higher position and does not perform as per expectations, then it becomes impossible to demote him.

Thus, he is unable to perform at the higher level and becomes a 'passenger' in the system. It is rightfully assumed that every individual has potential, low or high. Many organizations have people whose potential being low; performance too is not

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up to the mark. Whilst the question in our minds hovers around how such people got into the system, the fact remains that they do not contribute to the organization's performance.

A major problem that companies face is tackling the problem children. They can have the ability to perform but do not perform and do not contribute to the organization's performance. This is mainly seen as an attitudinal problem. Further, these problem children bask in the glory of their potential but are unable to contribute to their own jobs. Dealing with workhorses too could be tricky. They can perform very well on routine tasks but have limited potential. Hence, their promotability is difficult and this creates frustrations for the employees. If promoted, they are unable to perform higher-level jobs and this too creates problems both for the individuals and the organization. We easily conclude that 'stars' are ideal people to have in organizations. But retaining these stars could be difficult.

"People are like icebergs. What you see above the surface (performance) is only a small part. A large part of the attributes needed to perform excellently in a future job, which I call potential, is not immediately visible. It is hidden below surface."

Potential appraisal refers to the identification of the hidden talents and skills of a person. It is a process of determining an employee's strengths and weaknesses. It can also be taken as a forecasting instrument for predicting the future performance of an employee. It is possible that the person might or might not be aware of those hidden capabilities. Potential appraisal is a future-oriented appraisal whose main objective is to identify and evaluate the potential of the employees. This is done in order to assign higher positions and responsibilities in the organizational hierarchy to the employees. Many organizations consider and use potential appraisal as a part of the performance appraisal process.

Basically, the major role of HRM is to develop the existing employees of an organization. This is better fulfilled by potential appraisal which involves assessing the capability of an employee which he possesses but does not utilize it fully.

Potential means the qualities that exist within the employee and can be developed. Appraisal means to evaluate that potential.

FEATURES OF POTENTIAL APPRAISAL

- 1) **Potential Appraisal is a process** : Potential appraisal is a process as it undergoes certain steps which help in disclosing skills and abilities of an employee which remains unnoticed by the employee itself.
- 2) **Potential appraisal is future oriented** : Potential appraisal aims to track the potential of the employees in order to make them rise up in the organizational structure. Managers try to find out the hidden attributes of employees and determine whether the employee can handle more responsibilities in the future or not.
- 3) **Decision making process** : Potential Appraisal helps in decision making as regards promoting candidates and making a career plan for them.
- 4) **Time is not fixed** : It is under the judgment of the manager to arrange the potential appraisal activity. Unlike performance appraisal, it does not happen at a particular interval in every organization. The managers generally exercise it when an employee achieves certain target, or completes a year or is planning to change jobs for whatever reasons.
- 5) **Potential appraisal does not guarantee promotion** : Normally, most of the companies do potential appraisal so as to facilitate the growth of an individual. The companies can use the results of such an assessment:

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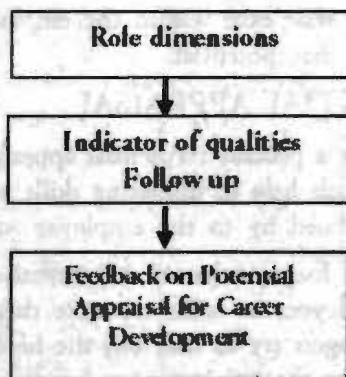
- To advise employees about their overall career development and future prospects.
- To help the organization to make out succession plans.
- To enable enthusiasm in the employees to sharpen the abilities.
- To learn about the training requirements of the employees.

INDICATORS OF POTENTIAL/QUALITIES

- **Adjusting with reality** : While assessing the potential of an employee, it should be observed that how much a person thinks and acts objectively, survives emotional pressures and follow realistic projects with enthusiasm.
- **Imagination** : Secondly, an individual/employee should have the ability to imagine different possible causes of action. The mind of an employee should not be confined to 'This is the way it is always being done.'
- **Power of analysis** : Managers should observe the analytical capabilities of all the employees in the complicated situations. The capacity to reformulate or transform a complex situation into convenient terms proves that the employee has required ability to analyze things differently.
- **Broad vision** : Another aspect of judging the employees' potential is done by assessing the broadness of their vision. The ability to examine a problem in a broader framework and detect the actual cause of difficult situations proves that the employee has a broad vision.
- **Persuasiveness** : Persuasiveness refers to convincing others towards the adoption of an idea, attitude, or action. It is an ability to sell ideas to other people. While undertaking the potential appraisal of employees, managers should observe the persuading capacity of them.

STEPS IN POTENTIAL APPRAISAL:

Checklist method



Role Dimensions:

The first step involved in potential appraisal is the determination of role dimensions for which an employee's potential has to be appraised. It is a list of the general tasks, or functions, and responsibilities that are required to be performed by the employee related to a particular position. A job description is usually developed by conducting a job analysis, which includes examining the tasks and sequences of tasks necessary to perform the job.

Indicator of Qualities

This step includes determining various qualities that need to be assessed in the

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employees. As already discussed above, there are various types of qualities that has to be assessed in an employee.

Follow up

In the light of various attributes, potential of employee is appraised and suitable actions are initiated.

Feedback on Potential Appraisal for Career Development

The process of Potential appraisal ends with giving feedback through counseling, rewards, promotion, training, etc. Feedback acts as a very important function as it results in motivation of employees either in monetary terms or non-monetary terms.

DISTINCTION BETWEEN PERFORMANCE AND POTENTIAL

Performance appraisal is designed to look backward in order to look forward. The best prediction of potential, using performance appraisal as the basis, is made when the next job is quite similar to the previous one. But, in many cases the next job may be quite different and thus the past performance will not be adequate as predictor of future performance.

It is important for us to clearly understand differences between the current performance and promotion potential of subordinates. As mentioned earlier, performance is the resultant behavior of the subordinate on the task which can be observed or evaluated. Potential, on the other hand, refers to employees' abilities to fit into future role. Many managers default in assuming that a person with abilities to perform well in one job will automatically perform well in a more responsible position. It is for this reason; people are often promoted to positions in which they cannot perform adequately. This has been amply summarized in Peter's principle- '*In any organization, everyone rises to his level of incompetence*'. We must remember that by promoting an employee with no promotion potential, we may lose a good worker and get a bad executive.

Most performance appraisal forms have a column for potential for promotion in which a score is required to be filled up. Though this is supported by words, only the numerical score is recorded for manpower planning purposes. In addition, a statement such as 'ready for promotion in X months/years', if seen by the appraiser, is likely to be constructed as a promise.

There are many methods available for identifying potential. These include assessment centers, psychological tests, assignments, peer-and-self assessment, and action learning programmes. Ideally, potential assessment should involve the use of more than one technique. This is likely to result in more reliable judgment.

A CASE STUDY

Employees, key contributors to Indian growth story

David Evans would like to call himself a 'motivational evangelist'. The founder-chairman of the \$460-million performance improvement solution company Grass Roots, and an associate of the WPP group, Evans says the Indian growth story has been contributed not just by companies but its key stake less holders - the employees.

The company, which set up operations in India this month, finds that the country offers immense scope for 'Performance Improvement tools'. In a freewheeling interview with The New Manager, Evans (60) reiterated that investments - the trendiest word globally - should be applied to employees and not to projects.

You have always said that unappreciated workers vote with their feet and one in four quits if the trend continues?

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For any organization, the biggest investment is 'not on projects but on its people. Disgruntled employees are like stretched out elastic bands. They lose their elasticity and hit back. The essence of investment is retaining, acquiring or improving assets - items that have a place and a value on the balance sheet. So if a company has lost an employee, effectively it has lost an investment.

Indian companies are going global. What global best practices should be followed to survive the attrition crisis?

Companies, like human beings, are also creatures of habit. If an organization has built bad habits into itself and doesn't change them, these habits could accumulate to become life-threatening. Employee retention training in the workplace is the buzzword. Motivation, both of the employees and the company, is essential. Companies do very little to motivate their employees. This is where Performance Management tools come in handy.

How does Performance Management differ from training?

Training has completely eclipsed learning. Performance Management is all about learning newer values for achieving long-term goals. While training has always been judged quantitatively, learning without measurement is like a ship without a sail. When companies are becoming 'global', it is imperative to measure it qualitatively. The budget was spent, the courses took place, the trainers imparted their skills, the trainees returned to their offices - but what was the net outcome? Performance Management, on the other hand, is like a good butler. If a company has a problem, like a good butler we listen and serve to fix it up. It is more like coaching a company for bigger responsibilities.

Is there a way to measure Performance Management?

Besides statistical analysis, the best way to measure performance management is through mystery shopping, a tool to measure how well new knowledge is being applied in practice. The only difference between mystery shoppers and real client customers is that the mystery shoppers record and reveal what happened to them. In all other respects they are the genuine article, meeting the demographic profile and living locally. They can find out exactly what it feels like to be a customer, and how staff reacts to a given scenario that they convincingly enact.

Indian companies are going global. Does culture diversity come in the way of the employee-employer relationship?

Culture diversity has to be kept in mind especially following any M&A deals. However, constant dialogue can be cathartic. It breaks barriers and helps in establishing a foothold in the global arena.

How important are coaching and mentoring to the managerial cadre? Coaching can unleash the potential on a one-to-one or person-to-person basis in a non-threatening manner. It is personal therapeutic counseling. Managers are expected to wear the coaching hat more often than their managerial hats.

Likewise, CEOs are desperately seeking a sounding board and want to partner with someone, who can help them navigate their business challenges and realize their full potential. Organizations need to be handheld and they must provide platforms for engagements.

Source: Business Line Jan 28, 2008.

- 1) Why performance measurement is necessary for an organization?
- 2) What do you learn after reading this case study?

SUMMARY

- Performance evaluation is systematic activity by means of which the organization determines the extent to which the employee is delivering per agreed objectives and this is aligned to business results.
- Performance appraisal may be understood as the assessment of an individual's performance in a systematic way, the performance being measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility, health and the alike.
- Formal appraisal of an individual's performance with the objective to improve the performance in future is known as performance evaluation.
- The process of performance appraisal begins with establishment of objectives and ends with post appraisal actions.
- Potential appraisal may thus be defined as a process of determining an employee's strengths and weaknesses with a view to use this as a predictor of his future performance.
- Potential appraisal refers to the identification of the hidden talents and skills of a person.

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ANSWERS TO 'CHECK YOUR PROGRESS'

1. "Performance appraisal is the systematic evaluation of the individual with regard to his or her performance on the job and his potential for development"
2. **Results-based Appraisal:** measures objective results of work. The focus is on the outcome/deliverables from the job, and this alone serves as the measure for success. It may not be possible to use in jobs which depend on team work or where the job is service / support based.
3. **360 degree appraisal :** This method is concerned with systematically collecting data on a person's skills, abilities and behavior from a variety of sources.
4. Potential appraisal may thus be defined as a process of determining an employee's strengths and weaknesses with a view to use this as a predictor of his future performance.
5. Compensation package includes bonus, high salary rates, extra benefits, allowances and perquisites. These packages can be adequately determined through performance appraisal. The criteria should be merit rather than seniority.

QUESTIONS

- 1) What do you mean Employee Training? Explain the process of Training in an organization.

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- 2) Explain Performance evaluation. What is the objective and process of Performance Appraisal?
- 3) Briefly explain various methods of Performance Appraisal.
- 4) What do you mean by Potential Appraisal? Explain various steps involved in potential appraisal.

FURTHER READING

- Human Resource Management: Gary Dessler
- Human Resource Management: L. M. Prasad

The Chapter Covers :

- Job Evaluation
- Concept of Job Evaluation
- Principles of Job Evaluation
- Job Evaluation Methods
- Prerequisites of Job-Evaluation Programme
- Introduction to Competency
- Compensation Management
- Components of Compensation and Rewards
- Wage & Salary Administration
- Functions of Wage and Salary Committee
- Difference Between Wage and Salary
- Advantages of Wage and Salary Administration
- Managing Wages
- Designing and Administering Compensation
- Case Study

Learning Objectives:

After going through this chapter, you should be able to:

- Define Job Evaluation
- Understand Concept, Objectives, Principles and Process and Methods of Job Evaluation
- Define Competency
- Define Promotions, Transfers and Compensation Management
- Understand Wage and Salary Administration

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INTRODUCTION

Job Evaluation is the process of analysis and assessment of jobs to ascertain reliably their relative worth, using the assessment as a basis for a balanced wage structure. Job Evaluation is used to establish a wage structure which is acceptable to both Management and Labour by providing a relative value of every job in a plant or industry. A family of quantitative techniques used to determine the salary levels of jobs.

JOB EVALUATION

Research indicates that 50% of job performance problems are due to people being in the wrong job. And 25% of the on-the-job performance problems are associated with the inability to identify the 'gaps' between the competencies of the person and the job requirements. Given these statistics the need to understand the requirements for performing a job well and what qualities the individual must have to do a good job is critical. This Unit focus on understanding the traditional time-tested approach of 'Job Evaluation' which is still practiced, in most organizations as well as the emerging 'competency mapping' modern approach, prevalent in the larger MNC's.

Some form of job evaluation is invariably part of a formal compensation management programme. The objective of job evaluation is to rank and price the job rather than the man. Job evaluation is concerned with assessing the value of the job in relation to another for it is only when each job has been properly evaluated that a sound compensation structure can be built. And the fundamental concept of job evaluation is to be able to objectively assess the worth of the job with respect to the skills and capabilities that is required to execute it. The British Institute of Management has defined job evaluation as "the process of analysis and assessment of jobs to ascertain reliably their relative worth, using the assessment as a basis for a balanced wage structure".

CONCEPT OF JOB EVALUATION

All job evaluation systems depend heavily on job analysis and job description. Job analysis indicates the specific duties to be performed by the employee and the circumstances under which these duties are to be performed. A job description is a written record of the duties, responsibilities and conditions of the job. The job description provides 'the essential information on which each job is evaluated. The resulting measures of values are then translated into wage and salary rates.

"Job analysis is the process of getting information about jobs; specifically, what the employee does; how he gets it done; why he does it; skill, education and training required; relationships to other jobs; physical demands and environmental conditions".

Job analysis and job evaluation do not replace, judgments in the administration of the pay structure. They merely provide facts in so far as facts can be obtained through observation on which management and employees may base their decisions.

Job evaluation is a process to determine the internal value of various jobs of an organization and allocate appropriate pay scale for the job holders/employees. It is the method of defining the actual worth of a job/position on a systematic basis in order to provide equity and consistency among the employees. This process is done by analyzing the responsibilities, duties, qualifications and skills required in an employee. In job evaluation, quantitative measurement of a particular job is done for establishing consistent wage rate. It does not include the individuals' performance as it only assesses the internal worth of a job. It is the evaluation of job, not the evaluation of employees performing those jobs.

OBJECTIVES OF JOB EVALUATION

The decision to measure or rate jobs should only be made with the intent to reach certain objectives which are important to both management and the employee. Although there are many side benefits of job evaluation, the purpose is to work

towards a solution of the many wage and compensation related administrative problems which confront the industry. The below-mentioned are some of the important objectives of a job evaluation programme:

1. Establishment of sound salary differentials between jobs differentiated on the skills required.
2. Identification and elimination of salary-related inequities.
3. Establishment of sound foundation for variable pay such as incentive and bonus.
4. Maintenance of a consistent career and employee growth policy/ guidelines.
5. In organizations with active unions, creation of a method of job classification, so that management and union officials may deal with major and fundamental wage issues during negotiations and grievance meetings.
6. Collection of job facts
 - a. Selection of employees
 - b. Promotion and transfer of employees
 - c. Training of new employees
 - d. Assignment of tasks to jobs
 - e. Improving working conditions
 - f. Administrative organization, and
 - g. Work simplification.

There are many established methods to carry out job evaluation in a scientific manner. A four-fold system of classifying evaluation systems is presented here. Two are described as non-quantitative and two as quantitative.

1. Non-quantitative evaluation measures,
 - a. The ranking system.
 - b. The job-classification system.
2. Quantitative evaluation measures.
 - a. The point system.
 - b. The factor-comparison system.

PRINCIPLES OF JOB EVALUATION

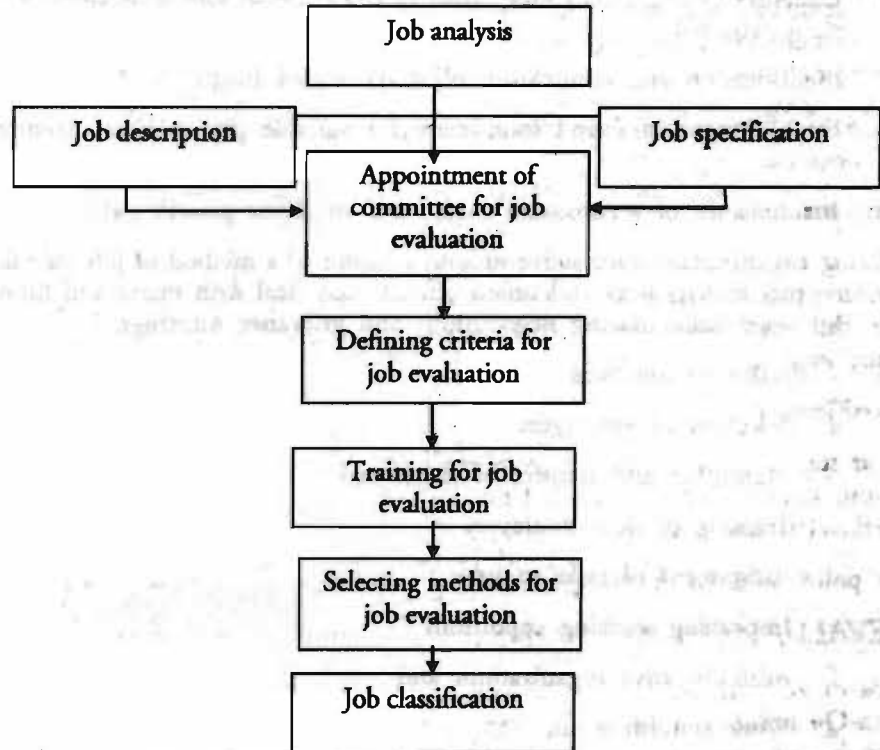
1. Job evaluation deals with the relative worth of a job and not the person performing it. Requirements of a job are mostly definite and fixed in all the organizations. Therefore, while evaluating the job, it is useful to imagine the job being performed – not by the present job holder but by a replacement who performs all aspects of the job acceptability.
2. Job evaluation should be based on job elements which can be easily understandable by everyone in the organization. It means that in making evaluation, we must be concerned with what the job has to do and achieve.
3. All the elements should be acceptable to the employees. This can be done by giving necessary information to them through their immediate supervisors. Proper concentration should be given to evaluate the jobs at fully acceptable standard of performance.
4. Concerned supervisors should actively participate in rating the jobs.

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PROCESS OF JOB EVALUATION

The process of job evaluation is to evaluate the contents of jobs i.e. requirements to perform the job effectively. These elements can be skills, qualifications, responsibilities, working conditions, etc. A job evaluation process can be presented as:-

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Job Analysis

Job evaluation starts with the job analysis. Job analysis is the process of identifying the nature of jobs. The main purpose of conducting job analysis is to prepare job description and job specification which in turn helps to hire the right quality of workforce into the organization. It helps to understand the qualities needed by employees so as to give optimum work performance. Job description and job specification provides the requirements which an organization looks from a particular job position. It states the key skill requirements, the level of experience needed, level of education required, etc.

Appointment of committee for Job Evaluation

After the analysis of job requirements, a committee consisting of experienced and qualified members is drawn from different departments of the organization. Here, HR person generally acts as committee chairman.

Training for job evaluation

After drawing members for committee, they are provided with proper training for job evaluation. There might be certain questions and doubts which should always be cleared to the members of job evaluation committee. Some of these questions are:

1. What is job evaluation?
2. Why does this company needs job evaluation?
3. How does it affect promotion policy?
4. Does job evaluation mean that everyone whose job is in same grade gets same rate of pay?

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Defining criteria for job evaluation

For the evaluation of job, there has to be pre-defined criteria in order to compare the jobs. There are two aspects for defining the criteria for job evaluation.

- a) Identification of critical factors involved in a job are evaluated like difficulties to perform a job, number of subordinates to be supervised, time span to complete a target, etc.
- b) After identifying all the factors, criteria have to be fixed. These criteria can be fixed using certain benchmarks.

Selecting methods of job evaluation

After fixing the criteria, next step is to select the most appropriate method for job evaluation process. There are various methods for evaluating the job. It can be possible that committee members can select one method or combination of more than one method.

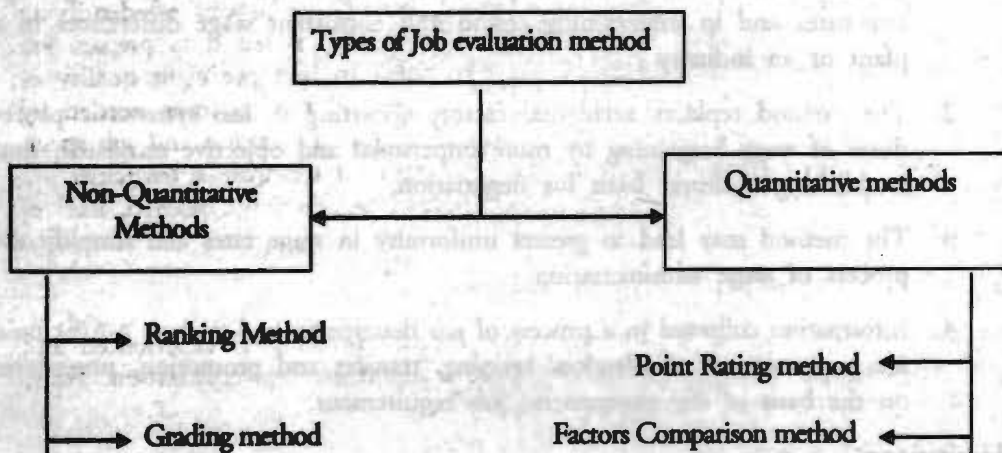
Job classification

The next step is the arrangement of jobs. On the basis of results obtained from job evaluation, various jobs are classified into different grades like class three clerk, class two clerk, class one clerk, senior clerk, and so on.

At this point, jobs are finally evaluated and allotted with their respective worth.

JOB EVALUATION METHODS

Methods of job evaluation can be classified into two heads i.e. quantitative methods and Non-Quantitative methods. Quantitative methods are known as analytical methods that use various quantitative techniques for evaluating the jobs. Non-quantitative methods are also known as traditional, non-analytical or summary methods.



Ranking Method

In ranking method, a job is compared with other job and ranks are allotted on the basis of comparison. It starts with allotment of ranks for each job independently by each member of committee. This activity is performed by them twice or thrice in order to increase the reliability of ranking. After the ranks are allotted, the jobs are weighted with their relative worth.

Grading Method

Job grading method is also known as job classification method. According to this method, first grades and classes are established based on the description of job

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derived from job analysis. For example: - jobs of an operative level may be classified as unskilled, semi-skilled, skilled and highly skilled. Through this step a series of job classes is prepared and graded accordingly.

Point Method

The most widely used method in all the business organizations is point method. It is a quantitative or analytical technique used to determine the relative worth of a job. It is done on the basis of points allotted to each specific factor of a job. The sum total of these points allotted to various job factors is the worth of the job. This total is compared with that of other jobs and relative worth of various jobs is determined.

Factors Comparison Method

In this method, jobs are evaluated by means of standard yardstick of value and jobs are broken into various sub-factors and components. Job factors such as mental efforts, physical efforts, skills required, know-how required, abilities to solve the related problems, responsibilities, working conditions, etc are taken into account in relation to each job and thereafter each job is ranked. After then monetary value of each sub-factor of the key job is ascertained. The total money value of each sub-factor of the key job is later known as salary for the particular job. Finally, all the jobs are compared factor by factor in order to determine the relative importance of them and placed in the job hierarchy.

ADVANTAGES AND LIMITATIONS OF JOB EVALUATION

Advantages:

1. Job evaluation is a logical and an objective method of ranking jobs relatively to each other. It may thus help in removing inequities in existing wage structures and in maintaining sound and consistent wage differences in a plant or an industry.
2. The method replaces accidental factors occurring in less systematic procedures of wage bargaining by more impersonal and objective standards, thus establishing a clearer basis for negotiation.
3. The method may lead to greater uniformity in wage rates and simplify the process of wage administration.
4. Information collected in a process of job description and analysis can be used for improvement of selection, training, transfer and promotion, procedures on the basis of the comparative job requirement.

Limitations:

1. Though there are many ways of applying job evaluation in a flexible manner, rapid changes in technology and in the supply of and demand for particular skills, create problems of adjustment that may need further study.
2. When job evaluation results in substantial changes in the existing wage structure, the possibility of implementing these changes in a relatively short period may be restricted by the financial limits within which the firm has to operate.
3. When there are a large proportion of incentive employees, it may be difficult to maintain a reasonable and acceptable structure of relative earnings.
4. The process of job rating is, to some extent, inexact because some of the factors and degrees can be measured with accuracy.

5. Job evaluation takes a long time to complete, requires specialized technical personnel and is quite expensive.

PREREQUISITES OF JOB-EVALUATION PROGRAMME:

It is very important to decide the following matters before starting a job-evaluation programme: -

1. Jobs must be thoroughly examined and clear cut job descriptions and job specifications must be available for selecting factors to be evaluated for job evaluation purpose.
2. The next important decision is about the jobs and persons to be covered e.g., hourly paid jobs or salaried jobs.
3. One job should be compared with others and put on a list in order of its worth.
4. In the job-evaluation plan, all persons who are going to be affected should participate. This will be possible only if job-evaluation plan is successfully communicated to all the employees.
5. The job selected should be divided into different parts and each part (i.e., factor such as responsibility, skill, effort, working conditions) should be evaluated separately.
6. Supervisors should feel convinced about the job evaluation programme.
7. Supervisor should be given training in advance about job evaluation methods.
8. It should be widely publicized in the factory so that everybody becomes aware of this system. For major groups, separate pay structures should exist. Since the nature of work is different in production, sales, marketing and finance departments, their pay structures must also be different.
9. There is no sense in believing that job evaluation will not be challenged by the union. The management should accept its deficiencies with open mind.
10. The job evaluation programme must be 'sold' (through a process of education) to all employees.
11. Any internal or external inconsistency in wage structure should be removed after completing the process of job evaluation.
12. Build definitions, measuring scales, forms, questionnaires and preliminary descriptions etc., beforehand.
13. If job contents change, the supervisor should notify the job analyst so that necessary changes can also be made in the rating. It must be kept up to date.

INTRODUCTION TO COMPETENCY

First popularized by Boyatzis, competency is defined as "A capacity that exists in a person that leads to a behaviour that meets the job demands within parameters of organizational and that in-turn bring about the desired results"; "An underlying characteristic of a person results in effective and/or superior performance on the job".

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Competency can be thought as a tool that can be used to map 'best-in-class' performance the best performer is always called the competent performer. Competencies are based on Knowledge - information accumulated in a particular area of expertise, Skills - the demonstration of the expertise, Motive - the recurrent thought that drives behaviour, Attitude-self-concept, value and self image, Traits - a general disposition to behave in a particular way.

There are two sets of competencies:

Threshold competencies - they are the characteristics that any job holder needs to have to do that job effectively, but do not differentiate between average and superior performer;

Differentiating competencies - are characteristics which superior performers have but is not present in average performers. This thinking holds the key to differentiate employees based on competencies they possess and there compensation and growth within the companies in modern companies.

There are therefore competency frameworks that define the competency requirements that cover all the jobs in an organization. These consist of the both work specific as well as behavioral competencies. Each job in the organization is profiled for the competencies needed and these are then placed on to a common framework. Depending on the value of that competency, the number of competencies, the proficiency level of the competency and the competency's uniqueness, the job worth can be assessed in a comparative manner.

Organizations need to invest significantly and usually outsource the activity of competency mapping. But done it remains relevant and in active use for the next 4-5 years unless there is a significant change in the way the company conducts its business and its operating practices.

Once established a competency framework helps:

- 1) One universal set of competencies for all positions and employees in these positions
- 2) Builds a common language and frame of reference for everyone
- 3) Merit of each positions / individual
- 4) Makes it easier to compare positions and employees across the job functions in the organization
- 5) It helps align everyone towards a common culture and can support any culture change process

LINKING COMPETENCY TO HR SYSTEMS

One of the key benefits of the competency based management approach is its usage to build all of the other HR systems such as recruitment, performance management, training and development, career development, compensation management and Succession planning. These are explained as follows:

Recruitment and selection: The Competency profile for a job serves as the reference for the candidate hunt for the position. It is used at multiple stages in the recruitment and selection process

- Job Description and competency profile shared with the recruitment consultant as well as hosted on the company intranet and internet site for prospective applicants to view.

- Use the competencies to design the appropriate selection tests and other methods
- Assessment forms for interviewers to contain the competency list and specify the desired proficiency levels

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Performance Management: Increasingly the focus in most organizations using competency frameworks is to build competency based performance assessment processes. The employees' performance is assessed on the core tasks and results as well as on the competencies required for the job he/she is doing. If there are gaps between the desired proficiency and the current proficiency of the employee the employee is reviewed for development initiatives to improve the competency. If the employee has competencies above the desired proficiency he is potential talent and needs to be nurtured for other roles and higher responsibilities.

Training Needs: as explained above the information on gaps in competencies are collated for employees across the organizations and suitable training interventions are designed. The methodology used for competency improvement is usually action learning based. Focus is on internalizing the learning by ensuring workplace application projects and activities. Manager support in making competency training useful is important.

Career Planning: Competency assessments are popularly used for helping an employee discover his strength competencies and therefore serve as effective means for the employee to identify what roles/jobs can be best for the competencies the employee possesses. Most career planning assessment and activities are built on enhancing the employee's strength areas and indentifying jobs that match the strengths.

Compensation philosophy: while there is significant work done in researching competency based compensation, the practical application of competency based compensation system is not as easy. The competency framework provides a common benchmarking of all jobs across the organization on the competencies required and the proficiency level for the competency. This framework is then mapped to levels or grades that create a job to level mapping. The levels have ranges of compensation that can be paid for any job at a specific level. For example if there are 25 job clusters in a company. Each job cluster can have anywhere between 5 to 17 jobs.

Each job in the job cluster is mapped to a level in the company. So if a particular job cluster has 5 jobs each job has a set of competencies and proficiency and this determines the level of the job and let us assumes it maps to Level 42 in the compensation system. All Level 42 jobs are mapped to compensation range with a Minimum salary of Rs 45,000 and a maximum salary of Rs. 1, 20,000. This range specifies the recommended salary range for a employee in this job. Ideally a new employee being hired to this job should be paid not less than the minimum specified for this job. A employee doing a extremely good job in the role and has been in the role for close to 3 years should be getting a salary closer to the maximum in the range.

Succession Planning: competency based management is most effective in succession planning initiatives. Competency assessment is a widely used to identify and nurture talent in organizations. Most succession planning decisions use the competency assessment data for the employee and this along with the career planning data are used to ascertain employee readiness and inclination for new roles and responsibilities in the critical roles identified for succession planning.

PROMOTIONS AND TRANSFERS

From a general point of view, selection involves the following types of problems:

1. Selection from within or outside the company
2. Hiring new employees from outside the company.
3. Promotion within the company
4. Discharge of old employees.

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Promotion:

A few companies do have a clear cut policy while certain organizations issue circulars as and when they need. Many companies develop policies over a period of time through settlements and agreements with the employees/unions.

In promoting employees consideration should be given for establishment of the horizontal or vertical promotion. The desirability of securing assistant-who complement rather than supplement their superiors is the major point in a successive plan which is an integral part of manpower planning.

Let us understand only two types of promotion - Vertical & Horizontal promotion. In Vertical Promotion, employees are promoted from one rank to the next higher rank in the same department or division. This is based on the belief that this leads to effective utilization of experience gained in the same department. It also gives an opportunity to the employees to go up while increasing their specialization in their area of operation. However, it has got one disadvantage. The vacancies may be very few in a department. e.g. In a big University, a Lecturer working in a particular Department may not become a Professor or the Head of the Department unless his superiors die/retire/resign. This makes the person frustrated. Besides, this type of promotion limits a person's contact with other departments and does not permit him to enhance his knowledge/expertise with each year's experience. Because his experience would be one or two year's knowledge multiplied by 10 to 15 years rotation. If he does not get his promotion at the right time since the room at the top is limited he will also start disliking his job / organization. As a result, he becomes counter-productive.

Horizontal promotions are considered an alternative to this by certain organizations. Under this policy, an employee may be transferred from a position in one department to a position of higher rank in another department or to the same rank in a different department if the transfer gives him an opportunity to acquire greater knowledge and wider experience e.g. if a Senior Lecturer cannot get promotion in a particular Department for obvious reasons, he may be transferred as Registrar of the University or as Controller of Examinations or Director of Distance Education. However, there is one difficulty. Unless the person is quite dynamic and intelligent, he may find the new assignment a tough one and irksome. To some, it may be a cause for frustration.

However, for many, Horizontal promotion even if it is only a paper promotion is a challenge since it allows them job rotation.

The Next question to be answered is the type of man to be promoted. There is a natural tendency for an executive to select as his assistant one who has the same or similar abilities as his own. This may not result in most efficient combination. It is often observed that the assistant may imbibe the weaknesses of the Boss.

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Promotion is a part of the general problem of selection. Promotion is also closely linked with Training, Post-training Placement, development and incentives. Promotions and transfer make employees flexible.

Definitions of promotion:

1. **PIGORS & MEYERS:** Define promotion as "the advancement of an employee to a better job- better in terms of greater respect of pay and salary. Better houses of work or better location or better working conditions-also may characterize the better job to which an employee seeks promotions, but if the job does not involve greater skill or responsibilities and higher pay, it should not be considered a promotion." This definition takes into consideration only a Vertical promotion.
2. **DALE YODER:** According to Dale Yoder, it is a "movement to a position in which responsibilities and presumably the prestige are increased. Promotion involves an increase in rank ordinarily; promotion is regarded as a change that results in higher earnings, but increased earnings are essential in a promotion." This definition talks of both vertical and horizontal promotions.
3. **KOONTZ O'DONNELL** observed that promotion is "a change within the organization to a higher position with greater responsibilities and used for more advanced skills than in previous position. It usually involves higher status and increase in pay."

Promotions can be from within or can be from outside depending upon the need of the organization as both have certain advantages and disadvantages. So also are the arguments for and against the concept of promotion on seniority or merit. A wise policy which is followed by many organizations is a proper blending of both.

Opposite to promotion is demotion. It is more as a punishment. In certain cases it can be on cost reduction considerations.

Transfers:

PIGORS & MEYERS consider transfer as "the movement of an employee from one job to another on the same occupational level and at about the same level of wages or salary" No appreciable change in task or responsibility is expected.

SCOTT and others define transfer is "the movement of an employee from one job to another. It may involve a promotion, demotion or no change in job status other than moving from one job to another."

Types of Transfer: Transfers are of many types. It may be a reward transfer or a punishment transfer. Transfers can be classified as production transfers, Replacement transfers, Versatility transfers, shift transfers or remedial transfers. They can be temporary or permanent.

However, it is better to have a clear-cut and flexible transfer policy. Otherwise, it may lead to a lot of heart-burning among the affected employees.

- The term wage is commonly used for those employees whose pay is calculated according to the number of hours worked.
- A job is defined as a collection or aggregation of tasks, duties, and responsibilities that, as a whole, is regarded as the reasonable assignment to an individual employee.

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- Job satisfaction is determined by a set of personal and job factors.
- The word 'salary' is defined in the Oxford Dictionary as fixed periodical payment to a person doing other than manual or mechanical work.
- According to Subsistence theory, wages tend to settle at a level just sufficient to maintain the employees and his family at minimum subsistence levels.
- Francis A. Walker propounded Residual claimant theory. According to him, there are four factors of production/ business activity viz., land, labour, capital and entrepreneurship.
- Purchasing power theory holds that the prosperity, productivity and progress of industry depend on there being sufficient demand to ensure the sale of its products and pocketing of reasonable profits.
- A minimum wage has been defined by the Committee as "the wage which must provide not only for the bare sustenance of life, but for the preservation of the efficiency of the employee.
- Fair Wage is the wage which is above the minimum wage but below the living wage".
- Living Wage is "one which should enable the earner to provide for himself and his family 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, requirements of essential social needs and a measure of insurance against the more important misfortunes, including old age".
- Job evaluation is concerned with assessing the value of the job in relation to another.
- Job analysis is the process of getting information about jobs.

COMPENSATION MANAGEMENT

"What gets measured gets done", is a famous quote you find in the end everything we do is for a reason, and whether we admit it or not money is ranked as a key motivator as well as a reason for us to seek employment. This unit is designed to provide an understanding of the key challenges that compensation/ salary management poses for the enterprise.

The terms 'wage' / 'salary' / 'compensation' are often used as synonyms. The term wage is usually associated with contractual employee whose pay is calculated according to the number of hours worked/ units produced. The word salary/compensation applies to the remuneration that is paid for a fixed period and does not depend upon the number of hours worked. It is associated with the white collar worker.

Employees, in exchange of their work, generally expect some appreciation. Money is considered the most important motivation for employees, though non-financial incentives work efficiently. The goals of compensation management are to design the lowest-cost pay structure that will attract, motivate and retain competent employees.

Compensation is what employees receive in exchange for their contribution to the organization. Compensation management helps the organization obtain, maintain and retain a productive workforce.

"If you pick the right people and give them the opportunity to spread their wings - and put compensation and rewards as a carrier behind it - you almost don't have to manage them."
-Jack Welch

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Compensation is referred to the sum total of monetary and non monetary value provided to the employees in exchange for work performed. It is the money and other benefits received by an employee for rendering services to his employer. These benefits are either direct or indirect rewards given to employees on the basis of the value of the job, their personal contributions, and their performance. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness.

Cascio has defined compensation as,

"Compensation includes direct cash payments, indirect payments in the form of employee benefits and incentives to motivate employees to strive for higher levels of productivity."

However, Compensation management is concerned with designing and implementing the total compensation package with a systematic approach to provide value to employees in exchange for work performance. Compensation management is also known as wages and salary administration, remuneration management, or reward management. Compensation management deals with meeting the needs of both employees and organization.

OBJECTIVES OF COMPENSATION MANAGEMENT

The compensation management focuses on following objectives:

FOR EMPLOYER

1. Attracting and Retaining Personnel

Compensation helps in attracting and retaining right type of personnel in the organization. Compensation management aims to provide fair and appropriate pay scale to the employees at all levels in the organization. It also reduces the managerial turnover and minimizes the recruitment cost for the organization.

2. Motivating employees for higher productivity

Compensation management aims at motivating personnel for higher productivity and performance. It is not possible to raise the motivation level of employees just through monetary payments. There is a requirement of some other benefits like bonus, car, cell phone, and other fringe benefits. Therefore, by designing an effective compensation package, employees get motivated for their work and performance.

3. Consistency in compensation

Compensation management tries to achieve consistency in the organization. This consistency can be attained in the organization by providing the compensation with proper critical evaluation of job and employees' performance on jobs.

4. Provoking healthy internal competition

Compensation management also aims at provoking healthy internal competition in the organization. If an organization enables fair and standardized pay scale for all the employees at same level, employees will tend towards hard work and compete with each other so as to gain maximum rewards and benefits.

FOR EMPLOYEE

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1. Work- life Balance

When an employee receives his compensation and rewards as per his expectations, he manages his work life and personnel life in a easy way. This motivates him to work hard effectively and efficiently.

2. Recognition as a tool to self esteem

Compensation and other benefits act as a tool to build self esteem for an employee. High position and high salary gives an employee more of status and reputation which in turn provides self esteem and social value to him.

3. Planning for better quality of life

Compensation and rewards help the employees to plan for better quality of life. Employees can allocate their monthly remuneration into certain savings and expenses. This also helps in improving the future conditions of employee and making them eligible to manage exigencies through savings made by them.

FACTORS AFFECTING COMPENSATION MANAGEMENT

There are certain factors which affects the compensation management. Some of these factors are as follows:

- Physical requirements
- Skill requirements
- Responsibility level
- Working conditions
- Organizational affordability
- Market rate for talent
- Economic conditions

Physical requirements

Organizations have to analyze their physical (no. of personnel) requirement and then evaluate the compensation accordingly. If the organization has to recruit large number of manpower, then compensation value may go down. And if the requirement for people is less, then compensation will be more.

Skills requirement

Skills relate to the knowledge and potential of an employee. It signifies the ability and proficiency of an employee in order to accomplish a task. An organization decides that at what level of work, what skills and qualities are required in the employee/personnel. For example, for a low level of work (operative), a semi- skilled worker can be appointed. But in case of high level of work (Managerial), a highly skilled employee is needed. Therefore, in accordance with the requirement of skills for a job, compensation packages are planned.

Responsibility level

The level of responsibility is set against the designation of an employee. This designation and job title helps the managers to evaluate the job and hence compensation of the employee is decided accordingly.

Check Your Progress

1. Job Evaluation?
2. What is Job Analysis?
3. Define Promotion?

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Working conditions

Working conditions are the conditions that are provided to the employee while performing the job. These working conditions raise some sort of costs for the organization and hence get included in the compensation for the employees. If the working conditions available to the workers have any risk or hazards, then the organization have a responsibility to provide all the benefits necessitated to them.

Organizational affordability

Compensations are always evaluated by the organizations according to their affordability and financial condition. If the financial condition of the organization is strong and it has proper liquidity flows, then compensations are generally high for the employees and in case organization is not in a proper liquidity position then compensation are low for the employees.

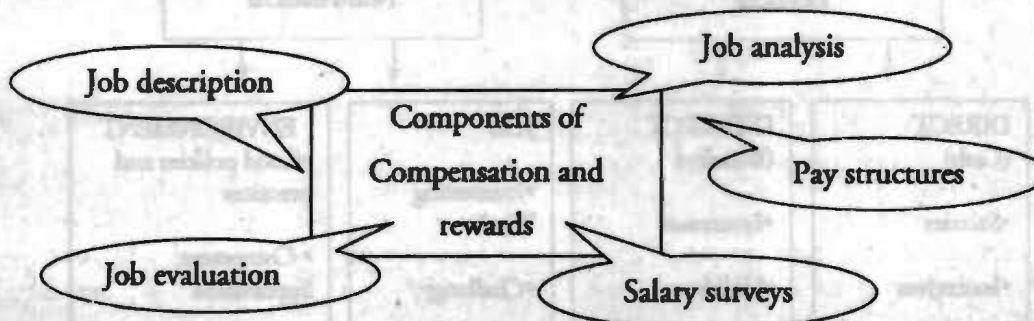
Market rate for talent

Every organization conducts a search in the market to know the current rate of compensation for the personnel at the same level of work. This helps in determining the prevailing compensation package provided to the employees of same level by different organizations. With the help of this information, the organizations evaluate the jobs and design the compensation package.

Economic conditions

Another factor that plays a very important role in deciding the compensation package of employees is the economic condition of the country. If the economic condition of a country is going through the inflation phase, then compensation is most likely to be low. And if it is going through the deflation phase, then compensation may be high because the cost of goods and services will be low for the organization.

COMPONENTS OF COMPENSATION AND REWARDS.



Job Descriptions

A job description is a list of the general tasks, or functions, and responsibilities of a position. It also includes to whom the authority-responsibility relationships, specifications such as the qualifications needed by the person in the job, salary range for the position, etc.

Job Analysis

Job Analysis is the process of identifying the nature of jobs. It refers to various methodologies for analyzing the requirements of a job. The main purpose of conducting job analysis is to prepare job description and job specification which in turn helps to hire the right quality of workforce into the organization.

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Job Evaluation

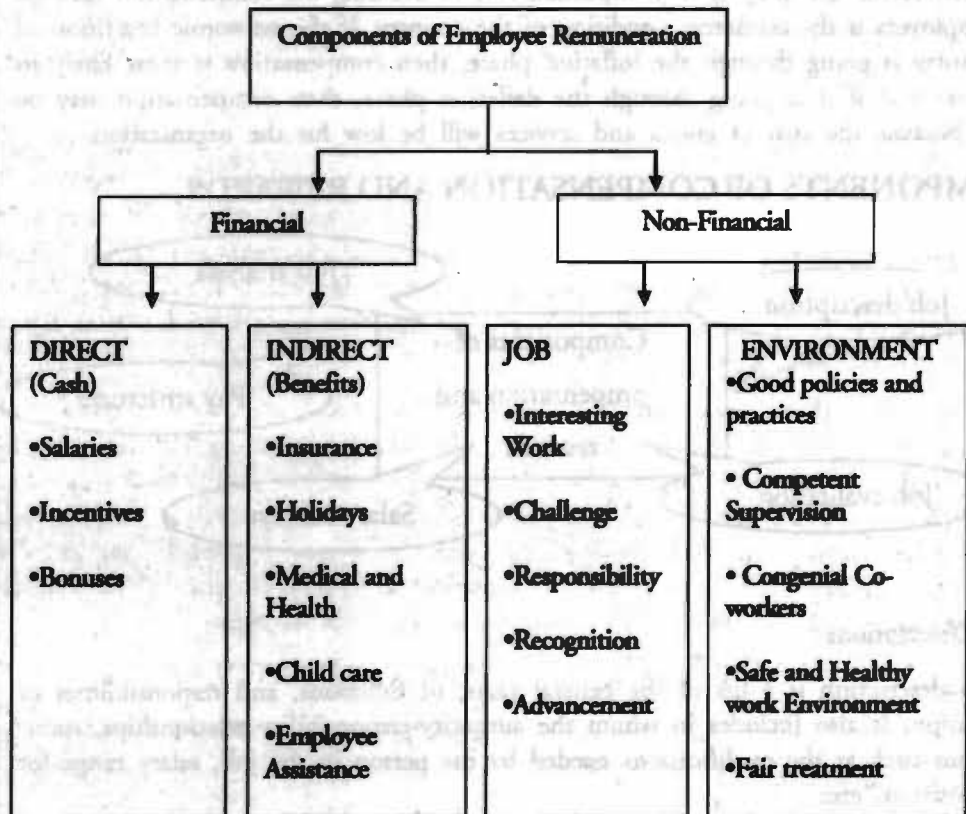
Job evaluation is a process to determine the internal value of various jobs of an organization and allocate appropriate pay scale for the job holders/employees. It is the method of defining the actual worth of a job/position on a systematic basis in order to provide equality and consistency among the employees. There are four main techniques used in job evaluation: Ranking, Grading, Factor Comparison, and Point Method.

Pay Structures

Pay structures, also known as salary structures, are different levels of pay for jobs, or groups of jobs, by reference to their relative internal value, as established by job evaluation. Most pay structures include several grades with each grade containing a minimum salary/wage and either step increments or grade range.

Salary Surveys

Survey conducted with other employers in the same labor market to determine pay levels for specific job categories is known as salary survey. Generally wage and salary surveys are conducted in the surrounding community or metropolitan area for the purpose of comparability. This market data may include average salaries, inflation indicators, cost of living indicators, salary budget averages, etc. Companies may obtain results of surveys conducted by survey vendors or may conduct their own salary surveys.



Direct compensation

It refers to monetary benefits offered and provided to employees in return of the services they provide to the organization. The monetary benefits include basic salary, house rent allowance, conveyance, leave travel allowance, medical reimbursements,

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special allowances, bonus, PF/Gratuity, etc. These benefits are given at a regular interval at a definite time.

Indirect compensation

It refers to non-monetary benefits offered and provided to employees in lieu of the services provided by them to the organization. It includes Paid Leave, Car / transportation, Medical Aids and assistance, Insurance (for self and family), Leave travel Assistance, Retirement Benefits, and Holiday Homes, etc.

WAGE & SALARY ADMINISTRATION

The term compensation management, or alternatively, wage and salary administration revolves around designing and managing policies and methods of disbursing employee compensation. Traditionally it includes such areas as job evaluation, maintenance of wage structures, wage surveys, incentives administration, wage changes and adjustments, supplementary payouts, profit sharing, control of compensation costs, and other related pay items.

Salaried often implies a status distinction, because those who are on salary are generally white-collar, administrative, professional, and executive employees, whereas wage-earners are designated as hourly, non-supervisory, or blue-collar. Wage-earners in some organizations do receive full wage if they are absent for such reasons as sickness, whereas salaried employees, especially at the lower levels, often receive overtime pay when they work over the standard work week.

Compensation/ salary systems are designed to ensure that employees are rewarded appropriately depending on what they do and the skills and knowledge (intellect) required for doing a specific job. It must therefore provide for the following key factors in order to be effective: The following factors may be helpful to raise the effectiveness of employees

- Signal to the employee the major objectives of the organizations - therefore it must link to the overall goals and objectives of the company. For example if doing a quality job is critical for the company its compensation system has to ensure that this is adequately rewarded. On the other hand if a company values productivity and units produced, the compensation system would be designed such that productivity is rewarded.
- Attract and retain the talent an organization needs - the need to benchmark salaries to the prevalent market standard for that job /skill so that the company is able to attract the right talent. If a enterprise pays a salary lower than what the market does for that job/responsibilities, the probability that suitable candidates would take the job offer and join the company. Even if they do join subsequently when they find that the market pays more for that job they would quickly find a more remunerative job and leave the company.

OBJECTIVES OF WAGE AND SALARY ADMINISTRATION

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

1. Control of costs.
2. Fixing of fair and equitable remuneration.
3. Using wages and salaries as an incentive to higher employee productivity.
4. Maintenance of a good public relations image.

To accomplish above objectives, the responsibility for wage and salary administration normally rests with the top management (i.e., Board of Directors in case of a com-

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pany) or the Chief Executive Officer, who is required to develop policies and procedures to achieve the company's objectives. The Personnel Manager plays an important role in developing the wage policies and procedures. In some companies, this work is given to Wage and Salary Committee composed of line and staff executives.

FUNCTIONS OF WAGE AND SALARY COMMITTEE

The functions of wage and salary committee or any other person connected with wage and salary administration are:

- a) To check all activities of the salary administration group against company policies.
- b) To recommend to top management the wage policies for the administration of wage programme.
- c) To approve, in broad, policy determining manner, the system of job description and job evaluation.
- d) To suggest changes in wage policies and in the salary or wage level.
- e) To review wage and salary schemes department wise.
- f) To recommend to top management in specific raises for executives above a particular limit.

DIFFERENCE BETWEEN WAGE AND SALARY

Wage is compensation to the employees for services given to the organization. In case the quantum of services rendered is difficult to measure, then the payment is called salary. *Generally the wage period is shorter than the salary period.*

Payment made to labour is normally referred as wages. Money paid periodically to persons whose output cannot be easily measured, such as clerical staff as well as supervisory staff, is generally referred to as salaries. Salaries are paid uniformly generally on monthly basis and at times the element of incentive is added in the form of commission. Incentives are paid to salaried persons in addition to their salaries. However, it is the area of labour that there are several types of methods of wage payment.

PROBLEMS ARISING IN WAGE AND SALARY ADMINISTRATION

Pressure is regularly put on the wage and salary committee for enhancement of pay by executives, supervisors and employees. If the committee needs to such pressure, it would increase the wage expenditure of the company above the funds available for the payroll. It may also result in doing injustice because the inwards that belong properly to the efficient workers would be granted instead to those who could press the hardest. The aggressive department head may possess in an unusual degree the commendable loyalty to his people that prompts him to take a belligerent stand with reference to salary increases. Because of human element, wage and salary committee or administrator yield more often to the department head who is regressive. Such pressure may be restrained to some extent where a departmental budget system is used.

ADVANTAGES OF WAGE AND SALARY ADMINISTRATION

1. **Attract and retain the employees:** - If an organization possesses good wage and salary structure, it will attract and retain suitable qualified and experienced personnel.

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2. **Builds high morale:** - The wage rates established for various categories of jobs should be internally consistent, it will motivate the employees of and organization. It will build high morale of employees and act as an incentive to greater employee productivity and efficiency.
3. **Organization health will be good:** - A good wage and salary structure will keep the employees satisfied. There will be lesser labour turnover, industrial disputes and employee grievances and exigencies.
4. **Labour cost equitable:** - A good wage and salary structure will maintain two types of equitabilities viz.
 - a) Labor cost equitable and
 - b) Equitable wage and salary structure.Pay according to the work performed by an employee. If an employee is performing hazardous work pay him more.
5. **No Favoritism:** - If an organization has definite wage and salary structure, favouritism can be avoided.
6. **Clearly drawn line of promotion:** - If a company has good wage and salary structure, it can have a definite sequence of jobs and clearly drawn line of promotion.
7. **Image of progressive employer:** - A good and definite wage and salary structure would enable the company to project in the public an image of a progressive employer.
8. **Harmonious industrial relations:** - A good wage and salary structure will serve as a sound basis for collective bargaining and enable the maintenance of satisfactory union-management and employee-management relations.
9. **Ensure minimum wages:** - A good wage and salary structure should also conform to the minimum wage laws.

ESSENTIALS OF AN ADEQUATE WAGE AND SALARY POLICY

Wage and salary levels:

A large number of factors enter into the determination of the levels of wages and salaries. More important among them are:

1. Wages and salaries paid by other companies,
 2. Firm's ability to pay,
 3. Cost of living,
 4. Conditions in the labour market, and
 5. Union pressure.
1. **Wage and salary levels in other firms:** - One of the most important factors that a company has to take into consideration is the level of wages and salaries in comparable firms in the same industry or in the same geographical area. The basic decision to be made in this connection is whether to pay at the going rate, above it or below it. In making this decision, a company has to take into account its ability to pay, conditions prevailing in the labour market, pressure of unions, productivity, profitability etc.

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2. **Company's ability to pay:** - Company's ability to pay is another important consideration in deciding whether to pay at the rates prevalent in comparable firms, above this rate in order to attract, retain and motivate its employee, or below this rate and possibly attract, hold and motivate its employees by other means. If a company decides to pay below the competitive rates, it may often find itself in a tight corner as the employee may attribute its inability to pay to management failures. In companies making profits above the industry average, ability to pay has often been used by unions and an argument for paying above the market rate of pay. A company paying below the market rate will find it difficult to attract and hold its employees. It may, therefore, have to pay greater attention to their social, psychological and actualization needs.
3. **Cost of Living:** - Changes in wage levels have to be made in response to change in cost of living indices. When consumer's cost of living starts moving up and the purchasing power of money declines, wages and salaries of the employees start declining in real terms. This causes hardship and the employees and their unions demand simultaneous and proportionate increases in wages and salaries. Some long-term collective agreement contains 'escalator' clauses providing for automatic wage and salary increase in response to increases in the cost of living. Such wage and salary increases, unless made as a certain percentage of existing rates, reduce the wage and salary differentials and disrupt the wage structure.
4. **Conditions in the labour market:** - Conditions of supply and demand of the kind of employees a company wants to hire also play an important role in determining the level of wages and salaries. If the supply position of a particular type of labour say, lathe operators is tight the unemployment. In case, labour of a particular type is available in plenty, a company may be able to hire workers at below the going rate, although this may become a source of dissatisfaction and low morale, later on.
5. **Union pressure:** - Labor unions often succeed in pressurizing a company into paying more than its ability to pay. They may also exercise influence in the selection of a particular job evaluation plan, key jobs and sample firms, etc. in wages survey.

These and other factors like minimum wage legislation, etc., play an important role in the determination of wage and salary level. Once the overall level has been set up, attention should be directed to developing an internally consistent wage structure. This can be done by means of job evaluation.

MANAGING WAGES

The main purpose of wage and salary administration is to establish and maintain equitable wage and salary programs. The secondary objective is to design and implement an equitable labor-cost structure. Therefore payout cannot be out-of-sync with the organizations ability to pay it needs to be able to satisfy the employees as well as employers, profits maximized and conflicts minimized.

- **Motivate employees to perform effectively** - as discussed at the outset, money is a key motivator and it often might be the only motivator for most employees, therefore ensuring that compensation is appropriately disbursed need to be taken care of while designing the compensation system. Jobs in the brick and motor,

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production setups would focus on higher incentive policies that would motivate the employee to produce more while the base-salary would be low.

- Create the type of culture the company seeks to engender - compensation systems play a critical role as sponsors for the organizations culture. A performance driven culture would build compensation policies that clearly and significantly reward performance. A company that rewards loyalty would reward employees who stay longer in the company with significantly better incentive programs.

Hence we see how compensation systems are reflective of the organizations over all philosophy of what its goals and objectives are and how this can be linked to salary payout.

Wage and salary administration is concerned with the financial aspects of needs, motivation and rewards. Managers, therefore, analyze and interpret the needs of their employees so that reward can be suitably designed to satisfy these needs. We will now review a few of the important theories that support the design of wage systems.

The word 'salary' is defined in the Oxford Dictionary as 'fixed periodical payment to a person doing other than manual or mechanical work'. The payment towards manual or mechanical work is referred to as wages. The word pay refers to the payment for services done which would include salary as well as wages.

Wages are commonly understood as price of labour. In ordinary parlance, any remuneration paid for services is etymological wage. Benham defines wage as "a sum of money paid under contract by an employer to a worker for services rendered."

Labour was always looked upon as a commodity governed by the law of supply and demand. Certain theories were propounded for determination of wages but these could not stand the test of time. A few theories are discussed below:

Subsistence Theory:

This theory, also known as 'Iron Law of Wages', was propounded by David Ricardo (1772-1823). According to this theory, wages tend to settle at a level just sufficient to maintain the workers and his family at minimum subsistence levels. The theory applies only to backward countries where laborers are extremely poor and are unable to get their share from the employers.

Standard of living theory:

This theory is a modified form of subsistence theory. According to this theory, wages are determined not by subsistence level but also by the standard of living to which a class of labourers becomes habituated.

Residual claimant theory:

Francis A. Walker (1840-1897) propounded this theory. According to him, there were four factors of production/ business activity viz., land, labor, capital and entrepreneurship. Wages represent the amount of value created in the production which remains after payment has been made for all these factors of production. In other words, labor is the residual claimant.

The wage fund theory:

According to this theory, after rent and raw materials are paid for, a definite amount remains for labor. The total wage fund and the number of workers determine the average worker's share in the form of wages.

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Demand and supply theory:

According to this theory, wages depend upon the demand and supply of labor.

Marginal productivity theory:

This is an improved form of demand and supply theory. Wages are determined by the value of the net product of the marginal unit of labour employed.

Purchasing power theory:

According to this theory the prosperity, productivity and progress of industry depend on there being sufficient demand to ensure the sale of its products and pocketing of reasonable profits. A large part of the products of industry is consumed by workers and their families and if wages are high, demand will be good. However, if wages and the purchasing power of the workers are low, some of the goods will remain unsold; output will go down, which will result in unemployment.

The bargaining theory of wages:

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

The Tribunals and Wage Boards have generally followed the principles laid down in the Fair Wages Committee's Report on fixing wages. The Committee, in its report, has focused on wage differentials and has identified the following factors for consideration for fixation of wages:

1. The degree of skill.
2. The strain of work.
3. The experience involved.
4. The training involved.
5. The responsibility undertaken.
6. The mental and physical requirements.
7. The disagreeableness of the task.
8. The hazard attendant on the work, and
9. The fatigue involved.

CLASSIFICATION OF WAGES

The International Labor Organization (ILO) in one of its publications, classified wages as under:

1. The amount necessary for mere subsistence;
2. The amount necessary for health and decency; and
3. The amount necessary to provide a standard of comfort.

In India, wages are classified as below:

- a. Minimum wage
- b. Fair wage; and
- c. Living wage

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Minimum wage: A minimum wage has been defined by the Committee as "the wage which must provide not only for the bare sustenance of life, but for the preservation of the efficiency of the worker. For this purpose, the minimum wage must provide for some measure of education, medical requirements and amenities". In other words, a minimum wage should provide for the sustenance of the worker's family, for his efficiency, for the education of his family members, for their medical care and for some amenities. It is very difficult to determine the minimum wage because conditions vary from place to place, industry to industry and from worker to worker. However, the principles for determining minimum wages were evolved by the Government and have been incorporated in the Minimum Wages Act, 1948, the important principle being that minimum wages should provide not only for the bare sustenance of life but also for the preservation of the efficiency of the workers by way of education, medical care and other amenities.

Fair Wage: According to the Committee on Fair Wages, "it 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". Between these two limits, the actual wages should depend on considerations of such factors as:

- i) The productivity of labour;
- ii) The prevailing rates of wages in the same or neighboring localities;
- iii) The level of the national income and its distribution; and
- iv) The place of industry in the economy.

Living Wage: This wage was recommended by the Committee as a fair wage and as ultimate goal in a wage policy. It defined a Living Wage as "one which should enable the earner to provide for himself and his family 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, requirements of essential social needs and a measure of insurance against the more important misfortunes including old age". In other words, a living wage was to provide for a standard of living that would ensure good health for the worker, and his family as well as a measure of decency, comfort, education for his children, and protection against misfortunes.

Generally, ascertaining wages and deciding who to pay what is an activity undertaken in the beginning when an organization is set up. Thereon it is annual reviews to make corrections per the country's economic and market/industry trends. The management considers the state of the labor market and takes into account of what he can afford to pay and the value of the worker to him. The workers' willingness for employment at the rate offered implies that they agree to work at that rate, though they have had no part in fixing it.

1. Collective Bargaining:

Collective bargaining is still in the initial stage in India. Although it is a desirable development in the relations between management and labor, it cannot be imposed upon either side by compulsion and should evolve naturally from within.

2. Voluntary Arbitration:

In voluntary arbitration, both parties agree to refer their dispute to mutually agreed arbitrator and his award becomes binding on the parties.

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3. Wage Legislation:

Wages are fixed according to law in some industries. The Central Government and State Governments may fix minimum wages under the Minimum Wages Act of 1948 for industries in which workers are exploited or too unorganized to protect their own interests. In order to advise them in the matter of fixing minimum wages, the Governments appoint Minimum Wages Committees and the Advisory Boards. The Committees and the Advisory Boards consist of equal number of workers and employers representatives and also independent members whose number should not exceed one-third of the total number of members.

4. Conciliation:

The Industrial Disputes Act, 1947, provides for consideration in case of disputes between employers and workers. If an agreement is reached in the course of conciliation proceedings, it becomes binding on the parties and takes effect from the date agreed upon or from the date on which it is signed by the two parties. In case no agreement is reached, the Conciliation Officer sends a full report of the proceedings. On receipt of this report, the government may decide to refer the case to Industrial Tribunal for award.

5. Adjudication:

Labor courts and Industrial Tribunals are set up under the Industrial Disputes Act, 1947. On studying the awards one gets the impression that the adjudicators are attempting to justify their decision in social and ethical terms. At the same time, there is a desire to satisfy both parties to the dispute, and therefore, economic factors such as capacity to pay, unemployment, profits, condition of the economy or welfare of the industry concerned, are given due prominence.

6. Wage Boards:

The boards are appointed by the Government and usually consist of seven members - two representatives of management, two of labor, two independent members and a chairman. The board is expected to take into account the needs of the specific industry in a developing economy, the special features of the industry, the requirements of social justice, and the necessity for adjusting wage differential in such a manner as to provide incentives to workers for advancing their skill. Its recommendations may be accepted by the Government either completely or partly, and may be statutorily imposed on the industry in question, or may be rejected.

In a nutshell, wages are influenced both by social and economic factors. In one case, economic factors may play a major role, whereas in another, social factors may be predominant. Thus, wages are product of both social and economic factors.

DESIGNING AND ADMINISTERING COMPENSATION

A lot of the design of compensation dispensation in modern times is based on the theoretical framework provided by the Equity theory. The Equity theory states that satisfaction with pay is always with reference to relevant others. The following equation provides the details of the consideration that influence the sense of satisfaction that an employee experiences with salary:

$$\frac{\text{My Rewards (outcomes)}}{\text{My Contributions (input)}} \quad \text{Vs.} \quad \frac{\text{Other's Rewards}}{\text{Other's Contributions}}$$

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The employee very naturally and often unconsciously identifies 'relevant' others who are similar to himself/herself professionally / with the job characteristics / the skill-set, etc. The employee then begins to constantly compare and evaluate to retain a state of equilibrium. When the left hand side of the equation is equal to the right hand side there is no dissonance and the employee is happy and satisfied in what he's getting paid.

When the employee perceives a dissonance in the way he is paid vs. what the relevant other is paid there is discomfort and dissatisfaction at work. If the left side of the equation is lower than the right hand side of the equation it is a case of the employee under-reward and he/she can opt to engage in the following course of action:

- Individual could ask for a raise
- Individual could reduce contribution (work less hard)
- Individual could try to get the other to reduce contribution
- Quit or
- Choose another relevant / comparison other

If the left hand side of the equation is higher than the right hand side it is a case of over-reward and the employee normally reacts in the following ways:

- Individual could increase contributions (work harder or longer, cultivate additional skills)
- Individual could attempt to get the other a raise
- Individual could attempt to get other to increase his/her contribution
- Quit the job as he/she is, soon singled out by the others
- Choose another relevant/comparison other

Therefore in designing pay systems organizations need to pay attention to all three dimensions of equity; internal Equity: A pay differential between different jobs, within the organization too large or too small, external Equity: comparison of similar jobs in different organizations and individual Equity: comparison among individuals in the same job with the same organization. How do organizations achieve this delicate balance among so many variables?

Internal Equity is best established by ensuring that each and every job internally is appropriately compared and benchmark. Carrying out job evaluation exercises and reviewing it from time to time takes care of this challenge. Additionally providing employee transparency in the way jobs are ranked and aligned to levels within a common hierarchy is critical. We will spend time in the next chapter understanding this in a detailed manner.

External Equity is established by organizations participating in salary surveys where the organizations own salary levels are benchmarked with comparative companies in the same industry to ascertain how they pay vs. the market. This is usually done by engaging with a third party consultant specializing in carrying out salary/compensation surveys. The steps in a compensation survey activity would normally be

- Identify and assign a consultant to carry out the salary survey
- Identify the jobs / roles that the company wants to benchmark - a company might not want all jobs to be benchmarked as it is expensive, only those jobs

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that are critical to the business might be identified for benchmarking against the market.

- Identify the companies in the industry that it wishes to benchmark against - peer / competitor companies with whom the company competes in the market and with whom the fight for talent is on are common examples, however companies that pay way above or below the normal market trends might be eliminated to ensure that more stable data is used for comparison.
- Share all information related to the identified jobs such as job description, job specification, person specification, level in the organization, salary and benefits and other perquisites provided
- Consultant provides the report. Review the report to ascertain where the company stands with its competitors.
- Take corrective action as required/ as per compensation philosophy and ability to pay

As this is a expensive and time consuming process organizations normally do a survey once in 2-3 years, however larger MNC's might want to do one every year. Companies can also purchase off-the shelf industry specific compensation survey reports that are published by these consultants and do their own benchmarking with the help of the internal HR teams.

Another important pay level decision is the way the organization wishes to benchmark its pay level on an overall basis. An organization can decide to lead the market and pay its employees closer to the top end of the benchmarked salary ranges, else it can lag the market and intentionally peg itself at the lower end of the salary ranges from the survey results. An organization can decide to 'match' the market and pay salaries at the market average. Therefore, in keeping with their pay philosophy a company can decide to pay at the 75th percentile of the market. Therefore it would benchmark itself against the 75th percentile on the survey results obtained from a custom survey or a off-the-shelf one.

Individual equity is established through having clearly laid down compensation policies and guidelines. The focus here is on transparency where the employee is satisfied because he knows that he as well as comparison others are paid similarly and as per the declared compensation guidelines. Few elements that ensure a fair policy exist:

- Establishing Pay Ranges commensurate with the levels in an organization
- Provide for Broad-banding clubbing levels into few bands that will make promotions meaningful and relevant
- Ensuring that there are no employees above or below a range, exceptions break the rule and results in lack of credibility
- Ensure that the criteria for ascertaining individual pay is clearly linked to merit, skill or seniority, avoid ambiguity' for bias that might breed favoritism or nepotism
- Some medium as also most large family-run organizations provide for employee participation / negotiation of pay terms. Usually this provision is for key and top performing employees. It is important for an organization to be clear on whether this is allowable or not. If it is not clarified, this can become a big de-motivator for other employees and a source of inequity.

- Ensure that compensation system is compliant with the countries statute, like minimum wages, provident fund, gratuity, paid leave, tax considerations and standard deductions.

Compensation design of policy and guidelines is managed by a dedicated Compensation and Benefits team which is a part of the Human Resources Team. Compensation administration i.e. payroll processing is however more of a Finance department activity. Often organizations also outsource this activity. Companies like Accenture, Hewitt, ADP are common payroll processing consultants.

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MANAGING BENEFITS IN ORGANIZATIONS

Managing employee Benefits is a critical part of the entire compensation policy and particularly so as the cost is completely borne by the company. There is no scientific way of ascertaining its impact on factors such as employee satisfaction and employee retention or productivity for that matter. In designing Benefits packages organizations need to pay attention to the following aspects:

- Legal and local laws of the land that require statutory compliance
- The positioning of Benefits in the total compensation strategy
- Are the benefits provided consistent with the long term strategic business objectives and plans
- Are our benefits meeting the needs and expectations of the employees and their dependents
- Are we competitive with the choice of benefits, adequacy and equity and costs vs. the industry / our competitors

The components of a benefits package are commonly practiced as; Security and Health Benefits - which focuses on the provisions made by the employer with Life Insurance, Worker Compensation, Accident Insurance, Medical Insurance for self and dependents (where different companies could differently categorize dependents, some might include parents as dependents, some might limit it to spouse and children only), other medical coverage, Provident and Pension Plans, Severance Pay etc.. Organizations might even have other health benefits programs like Health Check-up Camps, Dental Camps and other employee wellness initiatives. The modern organizations of today provide for on-campus gymnasium facilities or the reimbursement of gymnasium / health club membership. Other reimbursement plans like reimbursement of telephone bills and broadband bills where these facilities might not be entirely used for business purposes alone. Reimbursement of conveyance costs including providing for pick-up and drop facilities for their employees. Also included are catering of lunch and snacks in addition to sophisticated on-campus food-courts and even departmental stores, all with the objective of helping the employee manage better work - life balance. Another popular benefit is the provision for creche facilities for the infants of employees. While the larger companies can afford a on-campus or adjacent creche which is for the children of only the employees, other companies allow for the reimbursement of the cost of creche for their employee's children. Organizations like Cognizant and IBM go a step further by organizing for Children's camp during the school vacations. Organizations also provide for employee counseling/ assistance programs and facilities. Some might tie-up with professional counselors to provide remote/ over phone/email counseling services, while some other companies provide for on-campus employee assistance kiosks manned by professional counselors visiting the facility 2-3 times a week. Some organizations might insist on

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few benefits to be contributory where the employee might need to bear part of the cost.

The challenge in managing benefits is that while it costs a lot it is often taken for granted by the employees. The dilemma of finding the rig' balance of benefits and cash compensation is a on-going one. Like fu Compensation, Benefits too are benchmarked by organizations and implemented keeping the market practices and trends in view. The key to leveraging the investment made by organizations on benefits can be got by adequate communication making employees aware of them. It includes, providing clarity on how to apply for and claim benefits, as well as hold roadshows show-casing the benefits and what the employee can avail of. It focuses on to remind the employees that they are part of the 'total compensation package'.

Most large and medium sized organizations manage compensation and benefits through state-of-the-art HRMS (Human Resource Management Systems) and the corporate intranet portals. Employee can enroll on-line for the benefits, ask queries, look up the policies and review the outstanding and balance status of the various benefits. They can view deadlines, apply for the various benefit claims and track reimbursement status on-line. This brings a lot of empowerment to the employee as well as awareness of the total benefits that he/she and their dependents are eligible for.

Some common metrics used to assess the investments made by a company on Benefits:

- a. Annual cost of benefits for all employees
- b. Cost per employee per year
- c. Percentage cost of payroll
- d. Percentage cost of total costs

In these times of economic challenges organizations are closely tracking the investments and driving efficiency.

Questions :

1. What is the role of Peter in this case study.
2. Write down a short summery after reading this case study.

CASE STUDY

Starlight Achieves Consistency and Transparency in Incentive Planning and Management

Inconsistencies affect goal setting and payouts:

As is typical in the hotel industry, Starlight's sales people move around a lot. And many of them move from hotel to hotel across the Starlight portfolio of properties. To track performance, Starlight relied on a semi-automated, Excel- based process, where each hotel accessed centrally-stored data and entered those numbers into a spreadsheet.

"It was hard to know if everyone, at each hotel, was using the same calculations or adding their own calculations into the spreadsheets," says Rob Peters, Vice President Sales Administration for Starlight. "The lack of transparency in goal setting also made it difficult to ensure that individual hotels were rolling up into divisional goals.

Check Your Progress

4. What do you mean by Transfers?
5. What is Compensation management?

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So it became quite time intensive to implement the required checks and balances on those processes.”

A new approach to setting goals and modeling plans: Peters recognized the need for a new solution and chose Serve C after a competitive review. He was impressed by the technology but also by Serve C’s quick grasp of Starlight’s business requirements. For Peters, there was a synergy between the companies and personalities, and he was impressed by Serve C’s eagerness to devise a creative solution that maximized Starlight’s return on investment for the project.

“We definitely had challenges in the process, but Serve C listened and collaborated with us to find solutions,” says Peters. “With this type of project, it is critical to have a dedicated business and IT person on board right at the beginning. And preparation is essential - know what you want compare and prepare and have a strong sense of your expectations around feel and functionality.”

Currently, Starlight has more than 2000 Serve C system users. At the beginning of the year, Starlight uses Serve C to set goals by division, by region, by individual hotel, by business type, by individual and by line of business/targeted measure. On a monthly basis, users input performance actual into the system, which integrates with SAP for reference values and calculates accurate payouts.

With Serve C, Peters can ensure that sales people are using the most up-to-date plans and documents. He can make plan changes instantly and have immediate insight into the sales people affected by the change. Eliminating the separate spreadsheets from each location has enabled more effective modeling as well. Peters can add, modify, pick and choose measures and understand how they will affect performance.

“When payouts are a significant percentage of a seller’s total compensation, it is critical to maximize the dollars you put into your plans so you can focus on motivating through promotions and incentives,” says Peters. “Having automated modeling capabilities enables me to use the data that we have in our systems strategically to identify the best way to spend our dollars on driving performance.”

Accuracy and transparency support changing sales strategies:

By replacing the semi-automated, spreadsheet-based process with Serve C, Peters eliminated his key challenges in incentive planning and management.

“We have total transparency in our goal setting, ensuring that sellers align at the hotel, regional and divisional level. Each goal and measure must be assigned to a sales manager, and the system enables simplified checks and balances. With Serve C, we also have the flexibility to change measures and weightings in our plans to adapt quickly to changing market conditions.”

Peters is also able to track internal turnover more efficiently because each employee has one system log on, regardless of how many different hotels they sell. In addition, Peters no longer has to direct time to checking performance numbers from each hotel, freeing him up to complete higher value activities including business modeling and improved management reporting.

Case Study - Salary inequities at Acme Manufacturing:

Joe Black was trying to figure out what to do about a problem salary situation he had in his plant. Black recently took over as president of Acme Manufacturing. The founder and former president, Bill George, had been president for 35 years. The company was family owned and located in a small eastern Arkansas town. It had

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approximately 250 employees and was the largest employer in the community. Black was the member of the family that owned Acme, but he had never worked for the company prior to becoming the president. He had an MBA and a law degree, plus five years of management experience with a large manufacturing organization, where he was senior vice president for human resources before making his move to Acme.

A short time after joining Acme, Black started to notice that there was considerable inequity in the pay structure for salaried employees. A discussion with the human resources director led him to believe that salaried employees pay was very much a matter of individual bargaining with the past president. Hourly paid factory employees were not part of this problem because they were unionized and their wages were set by collective bargaining. An examination of the salaried payroll showed that there were 25 employees, ranging in pay from that of the president to that of the receptionist. A closer examination showed that 14 of the salaried employees were female. Three of these were front-line factory supervisors and one was the human resources director. The other 10 were non management.

This examination also showed that the human resources director appeared to be underpaid, and that the three female supervisors were paid somewhat less than any of the male supervisors. However, there were no similar supervisory jobs in which there were both male and female job incumbents. When asked, the Hr director said she thought the female supervisors may have been paid at a lower rate mainly because they were women, and perhaps George, the former president, did not think that women needed as much money because they had working husbands. However, she added she personally thought that they were paid less because they supervised less-skilled employees than did the male supervisors. Black was not sure that this was true.

The company from which Black had moved had a good job evaluation system. Although he was thoroughly familiar with and capable in this compensation tool, Black did not have time to make a job evaluation study at Acme. Therefore, he decided to hire a compensation consultant from a nearby university to help him. Together, they decided that all 25 salaried jobs should be in the same job evaluation cluster, that a modified ranking method of job evaluation should be used, and that the job descriptions recently completed by the HR director were current, accurate, and usable in the study.

The job evaluation showed that the HR director and the three female supervisors were being underpaid relative to comparable male salaried employees.

Black was not sure what to do. He knew that if the underpaid female supervisors took the case to the local EEOC office, the company could be found guilty of sex discrimination and then have to pay considerable back wages. He was afraid that if he gave these women an immediate salary increase large enough to bring them up to where they should be, the male supervisors would be upset and the female supervisors might comprehend the total situation and want back pay. The HR director told Black that the female supervisors had never complained about pay differences.

The HR director agreed to take a sizable salary increase with no back pay, so this part of the problem was solved. Black believed he had for choices relative to the female supervisors:

1. To do nothing.

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2. To gradually increase the female supervisors salaries.
3. To increase their salaries immediately.
4. To call the three supervisors into his office, discuss the situation with them, and jointly decide what to do.

Questions

1. What would you do if you were Black?
2. How do you think the company got into a situation like this in the first place?
3. Why would you suggest Black pursue the alternative you suggested?

SUMMARY :

- Job analysis indicates the specific duties to be performed by the employee and the circumstances under which these duties are to be performed.
- A job description is a written record of the duties, responsibilities and conditions of the job. The job description provides the essential information on which each job is evaluated.
- Competency is defined as "A capacity that exists in a person that leads to a behaviour that meets the job demands within parameters of organizational and that in-turn bring about the desired results".
- Competency can be thought of as a tool that can be used to map 'best-in-class' performance the best performer is always called the competent performer.
- Job evaluation deals with the relative worth of a job and not the person performing it. Job evaluation starts with the job analysis.
- Job evaluation is concerned with assessing the value of the job in relation to another for it is only when each job has been properly evaluated that a sound compensation structure can be built.
- Job analysis is the process of identifying the nature of jobs. The main purpose of conducting job analysis is to prepare job description and job specification which in turn helps to hire the right quality of workforce into the organization.
- The term compensation management, or alternatively, wage and salary administration revolves around designing and managing policies and methods of disbursing employee compensation.
- Compensation/ salary systems are designed to ensure that employees are rewarded appropriately depending on what they do and the skills and knowledge (intellect) required for doing a specific job.
- Managing employee Benefits is a critical part of the entire compensation policy and particularly so as the cost is completely borne by the company.

ANSWERS TO 'CHECK YOUR PROGRESS'

1. Job evaluation is a process to determine the internal value of various jobs of an organization and allocate appropriate pay scale for the job holders/ employees. It is the method of defining the actual worth of a job/position on

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a systematic basis in order to provide equity and consistency among the employees.

2. Job analysis is the process of identifying the nature of jobs. The main purpose of conducting job analysis is to prepare job description and job specification which in turn helps to hire the right quality of workforce into the organization.
3. Promotion is "a change within the organization to a higher position with greater responsibilities and used for more advanced skills than in previous position. It usually involves higher status and increase in pay."
4. Transfer is "the movement of an employee from one job to another. It may involve a promotion, demotion or no change in job status other than moving from one job to another."
5. Compensation is referred to the sum total of monetary and non monetary value provided to the employees in exchange for work performed. It is the money and other benefits received by an employee for rendering services to his employer.

QUESTIONS :

- 1) Define Job Evaluation.
- 2) What are the Principles and Objectives of job evaluation?
- 3) What is the process of Job Evaluation?
- 4) Explain various methods of Job Evaluation.
- 5) Briefly explain Compensation and Reward System of Employee and Employer.
- 6) What general factors affect the Compensation Management?
- 7) Explain various components of Compensation and Rewards of Employees.
- 8) Explain the concept of Wage & Salary Administration.
- 9) Discuss various theories of Wages.
- 10) How Compensation is designed and administered?

FURTHER READING

- Human Resource Management: Gary Dessler
- Human Resource Management: L. M. Prasad

10 Industrial Relations

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The Chapter Covers :

- Scope of Industrial Relations
- Measures to Improve Industrial Relations
- Causes of Industrial Disputes
- Weapons of Management
- Trade Unions and Participative Management
- Definition of Trade Union
- Objectives of Trade Unions
- Principles of Trade Unions
- Criticism of Trade Unions by the Employers
- Suggestions for the Development of such Unions
- Participative management
- Employee Discipline
- Essentials of a Grievance Procedure
- Employee Empowerment

Learning Objectives:

After going through this chapter, you should be able to:

- Define Industrial Relations and its Scope
- Understand Industrial Dispute Management
- Various causes of Industrial Disputes
- Process of Collective Bargaining
- Describe Trade Unions, Workers' Participative in Management, Grievance Handling and Employee Empowerment

INTRODUCTION

Industrial Relations are used to denote the collective relationships between management and the workers.

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In the words of Lester: "Industrial relations involve attempts at arriving at solutions between the conflicting Objectives and values; between the profit motive and social gain; between discipline and freedom, between authority and industrial democracy; between bargaining and co-operation; and between conflicting interests of the individual, the group and the community"

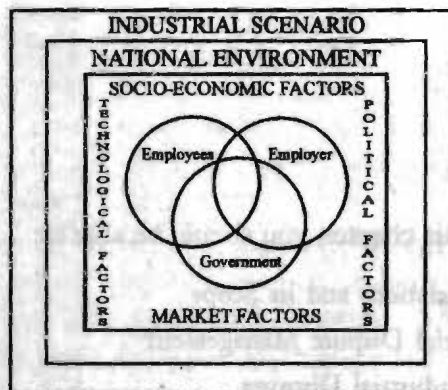
By J. Henry Richardson:

"Industrial relation is an art, (the art of living together for purposes of production. The parties while working together learn this art by acquiring the skills of adjustment.

In simple words, industrial relations are the outcome of the 'employment relationships' in industry, i.e. between employers and labor. The government of a nation or state influences these relations to a great extent.

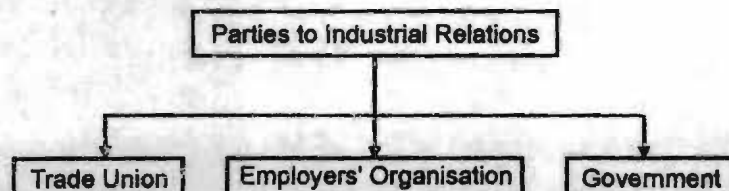
There are three main parties in industrial relations:

- (i) **Workers and their Organizations:** The personal characteristics of workers, their culture, educational attainments, qualifications, skills, attitude towards work, etc. play an important role in industrial relations. Trade unions are formed for safeguarding the economic and social interests of the workers. They put pressure on the management for the achievement of these objectives.
- (ii) **Employers and their Organization:** The employers are a very important variable in industrial relations. They provide employment to workers and try to regulate their behaviour for getting high productivity from them. In order to increase their bargaining power, employers in several industries have organized employers' associations. These associations put pressure on the trade unions and the Government.



Three main parties

- The Employees' or the Workers' Organisation (Trade Union)
- The Employers' Organisation
- The State or Government



Industrial relations are born out of employment relationship in an industrial setting. Without the existence of two parties i.e. labor and management, this

relationship cannot exist. It is the industry, which provides the environment for industrial relations.

Industrial relations are characterized by both conflict and co-operation. So the focus of industrial relations is on the study of the attitudes, relationships, practices and procedures developed by the contending parties to resolve or at least minimize conflicts.

- (iii) As the labor and management do not operate in isolation but are a part of the large system, so the study of industrial relations also includes vital environmental issues like technology of the workplace, country's socioeconomic and political environment, nation's labor policy, attitude of trade unions, workers and employers.

Industrial relations also involve the study of conditions conducive to the labor, management co-operation as well as the practices and procedures required to elicit the desired co-operation from both the parties.

Industrial relations also study the laws, rules, regulations, agreements, awards of court, customs and traditions, as well as policy framework laid down by the government for eliciting co-operation between labor and management. Besides this, it makes an in-depth analysis of the intervening patterns of the executive and judiciary in the regulation of labor-management relation.

SCOPE OF INDUSTRIAL RELATIONS

The scope can be studied under three main categories. These categories are:

- Promotion and development of healthy labor-management relations
- Maintenance of industrial peace and avoidance of industrial strife and
- Development of industrial democracy

- 1) **Development of Healthy Labor-Management Relations:** The promotion of healthy labor management relations pre-supposes the existence of strong, well-organized, democratic and responsible trade unions and associations of employers, the spirit of collective bargaining and willingness to take recourse to voluntary arbitration.

Welfare work, whether statutory or non-statutory, provided by the state, trade unions and employers create, maintain and improve labor management relations and thereby contribute to industrial peace.

- 2) **Maintenance of Industrial Peace:** Industrial peace pre-supposes the absence of industrial strife. Industrial peace is essential for increased productivity and harmonious labor-management relations.

- 3) **Development of Industrial Democracy:** The idea of industrial democracy states the labor should have the right to be associated with the management of an industry. To achieve this objective, the following techniques are usually employed:

- Establishment of the Shop Councils and Joint Management Councils at the floor and plant level.
- Recognition of Human Rights in Industry
- Increase in Labor Productivity
- The availability of proper work environments necessary so that the worker can effectively carry out his assignment, as it is the environment, which stimulates or depresses, improves or destroys the relations between labor and management.

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Contemporary issues in Industrial Relations:

- i. **Low Wages:** Low wages have been a perennial (permanent) problem and have been a source of industrial dispute for years despite the existence of Payment of Wages Act and the Minimum Wages Act. The acts do not seem to be solving the problem due to their poor implementation. In many of the factories, workers are still given wages below subsistence level, which leads to high degree of dissatisfaction and subsequent decrease in productivity. In many industries, the minimum wages have not been revised at par to compensate for it.
- ii. **Employment of Women:** In the Indian cultural setup, the employment of women is a major problem even though things have started changing in the recent times. There are special provisions regarding the employment of women in the Factories Act, which prohibit employment of women during the night shift and also on heavy machinery. Under the Equal Remuneration Act, women are entitled to equality of wages at par with the male workers. Some employers don't follow the above provisions in letter and spirit and continue to exploit the women workers by virtue of their strong position and because of mass illiteracy and superstition among the women workers.
- iii. **Ignorance and illiteracy:** Various labor laws that have been made would be beneficial to the workers if implemented properly. For this it is important that the workers themselves understand the underlying principles and provisions of the law and demand whatever is due to them. With high rate of ignorance and illiteracy prevailing among the workers, it can be imagined how many of them know about the laws. It is here that the exploitation of workers takes place and legal provisions are ignored totally.
- iv. **Industrial Housing:** Another burning issue in the industrial relations field is that of accommodation to the industrial employees. Here the problem is that the firms are not able to provide accommodation to the employees and further that the house rent allowance (HRA) that they provide is not sufficient to keep pace with the ever-rising demands of the landlords.
- v. **Child Labour:** The law requires that no child below the age of 14 is allowed to work in any factory and the adolescent is not allowed to work in hazardous conditions. The Supreme Court has passed a ruling strictly prohibiting the employment of children in any kind of factory. But still one finds instances of violation of law.

MEASURES TO IMPROVE INDUSTRIAL RELATIONS:

The following measures should be taken to achieve good industrial relations:

- i) **Progressive Management Outlook:** There should be progressive outlook of the management of each industrial enterprise. It should be conscious of its obligations and responsibilities to the owners of the business, the employees, the consumers and the nation. The management must recognize the rights of workers to organize unions to protect their economic and social interests.
- ii) **Strong and Stable Union:** A strong and stable union in each industrial enterprise is essential for good industrial relations. The employers can easily ignore a weak union on the plea that it hardly represents the workers. The agreement with such a union will hardly be honored by a large section of workforce. Therefore, there must be a strong and stable union in every enterprise to represent the majority of workers and negotiate with the management about the terms and conditions of service.
- iii) **Atmosphere of Mutual Trust:** Both management and labor should help in the development of an atmosphere of mutual cooperation, confidence, and, respect.

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Management should adopt a progressive outlook and should recognize the rights of workers. Similarly, labor unions should persuade their members to work for the common objectives of the organization. Both the management and the unions should have faith in collective bargaining and other peaceful methods of settling disputes.

- iv) **Mutual Accommodation:** The employers must recognize the right of collective bargaining of the trade unions. In any organization, there must be a great emphasis on mutual accommodation rather than conflict or uncompromising attitude. One must clearly understand that conflicting attitude does not lead to amicable labour relations; it may foster union militancy as the union reacts by engaging in pressure tactics. The approach must be of mutual "give and take" rather than "Take or leave." The management should be willing to co-operate rather than blackmail the workers.
- v) **Sincere Implementation of Agreements:** The management should sincerely implement the settlements reached with the trade unions. The agreements between the management and the unions should be enforced both in letter and spirit. If the agreements are not implemented then both the union and management stop trusting each other. An environment of uncertainty is created. To avoid this, efforts should be made at both ends to ensure the follow up of the agreements.
- vi) **Workers' Participation in Management:** The participation of workers in the management of the industrial unit should be encouraged by making effective use of works committees, joint consultation and other methods. This will improve communication between managers and workers, increase productivity and lead to greater effectiveness.
- vii) **Sound Personnel Policies:** The following points should be noted regarding the personnel policies. The policies should be:
- Formulated in consultation with the workers and their representatives if they are to be implemented effectively.
 - clearly stated so that there is no confusion in the mind of anybody.
 - Implementation of the policies should be uniform throughout the organization to ensure fair treatment to each worker.
- viii) **Government's Role:** The Government should play an active role for promoting industrial peace. It should make law for the compulsory recognition of a representative union in each industrial unit. It should intervene to settle disputes if the management and the workers are unable to settle their disputes. This will restore industrial harmony.

INDUSTRIAL DISPUTE MANAGEMENT

In general sense, a dispute is a conflict, clash of ideas, or a disagreement. It is the expression of differences over some issues of interest between two or more parties. However, Industrial dispute is the disagreement and difference between two disputants, namely labour and management. They are certain symptoms of industrial unrest. According to Section 2 (k) of the Industrial Disputes Act, 1947 "industrial dispute" is defined as,

"Any disputes or differences between employers and employees, or between employees and workmen, or between workmen and workmen, which is connected with the employment or non-employment or the terms of employment or with the conditions of labour, of any person"

In simple words, Industrial dispute is disagreement and difference between two disputants, namely, labor and management. This disagreement or difference is re-

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lated to any matter that is concerned with them individually or collectively. It must be connected with employment or non-employment or with the conditions of labor.

From the point of view of the employer, an industrial dispute is an act which results in stoppage of work means a stoppage of production. It is followed by increment in the average cost of production fall in sales and the rate of turnover and hence leading to a fall in profits. Apart from the immediate economic effects, loss of prestige and credit, disaffection of the labor force, and other non-economic, psychological and social consequences may also arise. Loss due to destruction of property, personal injury and physical intimidation or inconvenience also arises.

For the employee, an industrial dispute involves loss of income. Employees also suffer from personal injury, psychological and physical consequences because of forced joblessness.

Industrial dispute the factors responsible for the disputes between management & workers and their solution.

The definition identifies three parties to disputes. They are:

- (i) Employers and Employers
- (ii) Employers and Workmen
- (iii) Workmen and Workmen

Industrial dispute is disagreement and difference between two disputants, namely, labour and management. This disagreement or difference could be on any matter concerning them individually or collectively. It must be connected with employment or non-employment or with the conditions of labor.

CAUSES OF INDUSTRIAL DISPUTES

The employer and his employees are the integral parts of the same organization. Though, the strategies of each party are confined to their own interest and attitudes. Many times these strategies conflict with each other and it results in industrial disputes. Disputes concerning interests relate to those issues which are raised by the workmen for enhanced benefits such as general upward wage revision, increases benefits, etc. Some of the most common causes of industrial disputes are mentioned below:

1. **Economic Cause:** Economic factors are the major causes of industrial disputes in terms of increase in wages, higher gratuity and other retirement benefits. The wage increment is the prime cause of dispute between the management and labour. Increase in cost of living leads to the demand for higher wages and dearness allowance so as to equate their wages with the rise of prices. Bonus also plays an important role as a cause of industrial dispute.
2. **Industrial factors:** Industrial factors are mainly related to working conditions and welfare of the workers. Working conditions includes the length of working hours, physical work environment, safety measures, terms and conditions of employment pertaining to dismissal, duties and functions of the workers, etc. The working conditions in Indian industries are not hygienic and safe. There is no ample provision of water, heating, lighting, safety etc in the Indian Constitution. Prevailing working hours are much greater than what they should. Therefore demand of acceptable working conditions and shorter hours of work led to labour disputes.
3. **Management practices:** Another cause of industrial dispute is the mismatch between management practices and legal requirements of employees. Such practices may be in the form of unfair labour practices, ineffective supervision, and violation of acceptable norms prevailing in the industry.

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- a. **Unfair labour practices:** There are certain labour practices adopted by management which lead to industrial disputes. Those may be:
- To force the workers to join a particular trade union or refraining from joining a trade union.
 - To discharge or dismiss workmen by way of discrimination or any other subject ground.
 - To assign a work to individual workers for which they have not been hired or trained.
 - To put workers on temporary basis for unduly long period so as to deprive them for benefits available to permanent workers.
 - To harass workers to accept any responsibility this does not come within the purview of their activities.
- b. **Ineffective supervision:** Many times in the organization, supervisors treat their subordinated inhumanly by adopting master servant relationships. This leads to frustration and irritation in the mind of subordinates. As the day passes with such kind of work climate, subordinates become explosive and causes industrial dispute.
- c. **Violation of acceptable norms:** Sometimes there are situations when management violates established norms and creates state of disorder and annoyance within the workers. These norms are may be grievance procedure, code of discipline, promotional strategies, etc
4. **Trade Union Practices:** Trade union practices can be grouped under two categories:
- a. **Union Rivalry:** Rivalry among the trade union sometimes leads to industrial dispute. There are approximately more than 10000 trade unions working in India. In many organizations, there are more than one trade union which is working for the welfare for employer and employees. In such a case, each union wants to attract more workers to join them. The result is that any union settlement arrived between management and labour is opposed by other unions irrespective of most favorable conditions for the workers in given situation. Such rivalry creates violence and disputes in the organization.
- b. **Non-cooperative Approach:** Many trade unions and their leaders proceed in the assumption that 'What they do is right, and what management does is wrong'. This tendency makes them work on non-cooperative approach and they oppose all settlements.
5. **Legal and Political Factors:** Legal and political factors are those factors which unnecessarily interfere in the industrial relations systems of an organizations. These factors may be grouped under two categories: multiplicity of labour laws and political interference in industrial relation system.
- d. **Multiplicity of Labour Laws:** In India, there are 108 legal Acts and guidelines to regulate industrial relations. These Acts contradict themselves and create confusion and complexity. Most of the trade union remains busy to identify the legal loop holes to use those in their own favor. Secondly, these laws have been enacted long back, even before the independence period. Since the scenario has been changed now, these labour laws have outlives their

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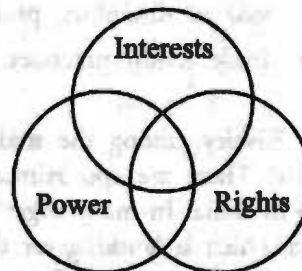
- e. **Political Interference:** Political interference means direct interference of political parties and their workers in the industrial disputes. There are various political parties which control trade unions in India. In many cases, leadership of trade union resides in the hands of persons who are more interested in achieving their political interests rather than the interests of the workers.

Disputes that do arise can be resolved in any of the following ways:

1. One or more parties agree to accept a situation in which their interests are not fully satisfied.
2. The parties submit the situation to an impartial person or panel, who decides which interests should be satisfied and which should not. Usually, the impartial person or panel will refer to pre-existing rules or guidelines that had been agreed by all parties or were at least known to all parties. Often these rules are what we call laws.
3. The perceptions of one or more parties change, so that there is no longer a perceived difference in interests.
4. The interests of one or more parties change, so that there is no longer a difference in interests.

The Three Factors:

At this point, it is useful to recognize that there are three independent fundamental factors that affect the resolution of disputes:

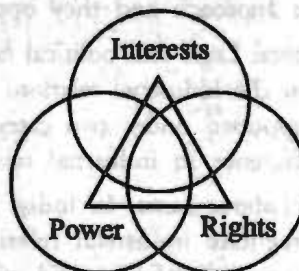


Interests: Are defined by a party in an interaction and are the things that that party is interested in (money, recognition, physical goods, or whatever).

Power: Is given by a combination of external circumstances and self-confidence.

Rights: Are given by an external framework, for example national laws or contracts between parties.

Thus there are connections between interests, power, and rights, and in real life there are usually trade-offs between the three factors.



WEAPONS OF LABOURS

Strike: - A strike creates permanent rift between management and workers and also creates bitterness on both sides. When workers collectively cease work in an industry, it is known as strike. *It means a cessation of work by a body of persons employed in industry acting in combination; or a concerted refusal of any number adpersons who are*

or have been so employed to continue to work or to accept employment; or a refusal under common understanding of any number of such persons to continue to work or to accept employment". (The Industrial Disputes Act 1947, Section 2(a))

For trade unions, strike is the most powerful weapon for forcing the management to accept their demands. The following are the various types of strikes:

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- a) **Economic strike:** - Most of the strikes of workers are for more facilities and increase in wage levels. In economic state, the laborers demand increase in wages, leave travel allowance, local travel allowance, house rent allowance, dearness allowance and other facilities such as increase in privilege leave and casual leave etc.
- b) **Sympathetic strike:** - When workers of one industry go on strike in sympathy with the workers of other industry who are already on strike, it is called sympathetic strike. The workers of sugar industry may go on strike in sympathy with their fellow workers of the textile industry who may already be on strike.
- c) **Stay in strike:** - In this case, workers do not absent themselves from their place of work when they are on strike. They keep control over production facilities but do not work. Such a strike is also known as 'pen down' or 'tool down' strike.
- d) **Go slow tactics:** - Here, workers deliberately work to rule and do their work in a very slow manner.
 - 1) **Boycott:** - The workers may decide to boycott the company by not using its products. Such an appeal may also be made to the public in general. In the former case the boycott is known as primary and in the latter secondary. It is a coercive method whereby the management is forced to accept their demands since the boycott effects the marketability of its products.
 - 2) **Picketing:** - When workers are dissuaded from work by stationing certain men at the factory gates, such a step is known as picketing. If picketing does not involve any violence, it is perfectly legal.
 - 3) **Gherao:** - Gherao in Hindi means to surround. Workers may gherao the management by blocking their exits and forcing them to stay inside their cabins just like prisoners. The main object of gherao is to inflict physical and mental torture to the person being geared and hence this weapon disturbs the industrial peace to a great extent.

WEAPONS OF MANAGEMENT

- a) **Employers Association:** - The mill owners may also have their unions. They can then collectively oppose the working class and would not normally down the workers to disturb the industrial peace.
- b) **Lock-out:** - Strike and Lock-out are two necessary ingredients in collective bargaining. If an employer is threatened in a trial of strength through a strike, then he should be in a position to give a counter threat of lock-out. An employer may also close the place of employment temporarily for those workers who are on strike. Such a step is technically known as Lock-out. It is reverse of a strike and is a very powerful weapon in the hands of an employer to coerce or pressurize the workers to return to the place of work. According to the Industrial Disputes Act 1947, "lock-out means the closing of a place of employment or the suspension of work, or the refusal by an employer to continue to any number of persons employed by him."
- c) **Termination of services of striking employees:** - The employer may also terminate the services of those workers who are on stake by blacklisting them. Their lists are also circulated to other employer's so as to restrict their chances of getting employment from those employers. Deteriora-

tion in the economic conditions of a firm mainly results in lay-off and retrenchment of the workers.

METHODS OF PREVENTING AND SETTLING INDUSTRIAL DISPUTES

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For setting petty frictions between the management and the labour, grievance procedure is laid down in the code of conduct. However, when a major issue or dispute comes up, then following methods can be adopted for its settlement:

1. COLLECTIVE BARGAINING :

"Collective Bargaining" is the process of negotiating terms of employment and other conditions of work between the representatives of management and organized labour. When it is free of intimidation and coercion and is conducted in good faith, collective bargaining culminates in a workable contract i.e., labour contract. A labour contract is a collective agreement between the representatives of labour and management for the sale of labour services at designated wage rates, hours of work, and other terms of employment and conditions of work for a stated period of time. The contract usually calls for joint enforcement and administration of the agreement. Responsible labour leaders and employers are increasingly settling their differences around the conference table rather than through industrial warfare. The process of bargaining the settlement of disputes is often facilitated through outside assistance in the form of conciliation, mediation, or arbitration.

Collective bargaining refers to "a process by which employers on the one hand and representatives of the employees on the other, attempt to arrive at agreements covering the conditions under which employees will contribute and be compensated for their services"

1 Michael. J. Jucius

"It is the process in which the representatives of labour organizations and the representatives of business organization meet and attempt to negotiate a contract or agreement which specifies the nature of the employer and employee union relationship."

2 Edwin Flippo

The term collective bargaining typically refers to the negotiation, administration and interpretation of a written agreement between two or more people. Collective bargaining is a process in which management and employee representatives meet and negotiate the terms and conditions of employment for mutual benefits. It is collective because both employer and employees act as a group rather than individuals. It is bargaining because the method of reaching an agreement involves proposals and counter proposals, offers and counter offers. Collective bargaining process is generally related to interest issues where some new rights are created or existing rights are to be explained.

Collective Bargaining is a technique by which dispute as to conditions of employment, are resolved cordially, by agreement, rather than by coercion.

The final outcome of bargaining may also depend upon the art, skill and neatness of displaying the strength by the representatives of one party to the other.

FEATURES OF COLLECTIVE BARGAINING

The main features of collective bargaining are:

- a) **Group activity:** - Collective bargaining is a group activity because the parties involved in the bargaining process represent different groups.

- b) **Activity levels:** - There are different levels in the process of collective bargaining. Starting with a simple bipartite discussion between the management and the employees at unit/ plant level, it can proceed to industry/ national level.
- c) **Flexibility:** -Collective bargaining aims at a mutually agreeable and favorable solution to the problems between the management and the employees. Thus, flexibility, in ideas and opinions, demands and requests, and decisions and agreements is the chief characteristic of the collective bargaining process.
- d) **Win- win situation:** -The agreements of collective bargaining are based on the principle of mutual interest. All the parties involved should have win-win attitude and aim at reaching an agreement that is in the best interests of all parties.
- e) **Builds relationships:** - Collective bargaining, as a continuous process, helps in building a culture of strong relationships between the management and the employees (trade unions). This helps in developing a conflict / dispute -free industrial environment.
- f) **An art and a science:** -An expert at collective bargaining is someone who has practiced the art well. It is also a science because understanding the process of collective bargaining and predicting the response of the other party as accurately as possible can help in better negotiation and enhanced performance in achieving the desired results.

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OBJECTIVES OF COLLECTIVE BARGAINING:

Collective bargaining has benefits not only for the present, but also for the future. The objectives of collective bargaining are:

- a) To provide an opportunity to the workers, to voice their problems on issues related to employment
- b) To facilitate reaching a solution that is acceptable to all the parties involved
- c) To resolve all conflicts and disputes in a mutually agreeable manner.
- d) To prevent any conflicts/disputes in the future through mutually signed contracts
- e) To develop a conducive atmosphere to foster good industrial relations
- f) To resolve issues through third party (government) involvement in case of conflicting interests of the practices involved.
- g) To provide stable and peaceful industrial relations in the organization
- h) To enhance the productivity of the organization by preventing strikes, lock-outs etc.

APPROACHES OF COLLECTIVE BARGAINING

Collective bargaining has been viewed from three perspectives:

- a) **As a process of social change:** -Collective bargaining acts as a technique of long- run social change, leading to restructuring in the power hierarchy of competing groups.
- b) **As a peace treaty between the conflicting parties:** -It serves as a peace treaty between both parties in case of continued conflict. However, as the compromise is a temporary truce, each party would like to modify the contract at the earliest opportunity.
- c) **As a system of industrial jurisprudence:** -It is a rule-making or legislative process, in the sense that it formulates terms and conditions under which labor and management will cooperate and work together for a specific period.

IMPORTANCE OF COLLECTIVE BARGAINING

In summary, collective bargaining offers the following benefits to both employers as well as employees:

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- a) It helps increase economic strength of both parties at the same time protecting their interests.
- b) It helps establish uniform conditions of employment with a view to avoid occurrence of industrial disputes.
- c) It helps resolve disputes when they occur.
- d) It lays down rules and norms for dealing with labour.
- e) It helps usher in democratic principles into industrial world.

PROCESS OF COLLECTIVE BARGAINING:

Collective bargaining has two faces:

1. Negotiating the work conditions that become the collective agreement (contract) describing employer-employee relationship on the job
2. Interpreting and enforcing the collective agreement (contract administration) and resolving any conflict arising out of it.

The process of collective bargaining involves six major steps:

- a) Preparing for negotiations
- b) Identifying bargaining issues
- c) Negotiation
- d) Reaching the agreement
- e) Ratifying the agreement
- f) Administration of the agreement

2. NEGOTIATION

Negotiation is one of the principal means of settling labour disputes. However, due to lack of trust between the employers and workmen or their trade unions or rivalry of the trade unions and the employers being in a commanding position, many a time negotiations fail.

Requirements for Successful Negotiations: - The representatives or spokesmen of management and labour must have sufficient authority to bind each side in the negotiation. The representatives must have a thorough knowledge of the company's wage scale and the wage scales of the industry and the area. They should be well versed in all points at issue and know past court decisions relating to similar cases. They should study all the proposed clauses to the contract and arrive at tentative agreements. The negotiators sign an agreement only after all outstanding issues are settled. Contract provisions in labour agreements generally stipulate details concerning union membership; the duration of agreement; the procedure for termination or amendment; wages and hours; overtime; shift differentials; insurance and other benefits; seniority; grievance procedure; and conditions for hire, promotion, or dismissal.

3. MEDIATION

Mediation can be defined as a process by which a third party brings together the parties or groups having conflicts amongst them not only to remove out the conflict between them but also to find out a better solution or a specific proposal for putting an end to the concerned conflict or dispute through negotiations. Mediators use appropriate techniques and/or skills to open and/or improve dialogue between disputants, aiming to help the parties reach an agreement on the disputed matter. Normally, all parties must view the mediator as impartial. Mediation can apply in a variety of disputes, such as commercial, legal, diplomatic, workplace, community and divorce or other family matters. Mediation takes place with the consent of both the parties.

4. CONCILIATION

Conciliation is another method for resolving and settling industrial disputes. It is a method whereby a third party, who is usually but not necessarily neutral, meets with

the parties and assists them to find a way to settle their dispute. It is a process of adjusting or settling disputes in a friendly manner through extra judicial means. Conciliation means bringing two opposing sides together to reach a compromise in an attempt to avoid taking a case to trial.

Boards of Conciliation:

The Board of conciliation is to consist of an independent Chairman and two or four member representing the parties in equal number. While the former is charged with the duty of mediating in and promoting the settlement of industrial disputes, the latter is required to promote the settlement of industrial disputes. The act generally allows registered trade unions or a substantial number of workers/ employees and also in certain cases individual workman to raise disputes. The performance of conciliation machinery, though it does not appear to be unsatisfactory, causes delays due to casual attitude of the parties towards conciliation, defective processes in the selection of personnel and unsatisfactory pre-job training and period-in-service-training. Success of conciliation depends upon the appearances and their sincere participation in conciliation proceedings of the parties before the conciliation officers. Non-appearance and non- participation of the parties in conciliation proceedings poses a serious hindrance in this direction.

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5. VOLUNTARY ARBITRATION:

Arbitration is a legal technique for the resolution of disputes outside the courts, wherein the parties to a dispute refer it to one or more persons (the "arbitrators", "arbiters" or "arbitral tribunal"), by whose decision (the "award") they agree to be bound. It is a means of securing an award on a conflict issue by references to a third party. Arbitration is today most commonly used for the resolution of commercial disputes, particularly in the context of international commercial transactions. It is also used in some countries to resolve other types of disputes, such as labour disputes, consumer disputes or family disputes, and for the resolution of certain disputes between states and between investors and states.

Voluntary Arbitration implies that the two parties which are unable to remove their differences by themselves or with the help of mediator or conciliator, and they agree to submit their dispute to some impartial authority, whose decision they are ready to accept. In other words, parties to the dispute refer their dispute to arbitration before it is referred for adjudication.

Essential elements of voluntary arbitration are:-

- There is voluntary submission of dispute to an arbitrator in the voluntary arbitration.
- Necessary investigations are done.
- The enforcement of an award may not be necessary and binding because there is no compulsion.
- Voluntary arbitration may be specially needed for disputes arising under agreements.

6. ADJUDICATION

Adjudication is the ultimate legal remedy for the settlement of unresolved industrial/ disputes. Adjudication generally refers to processes of decision making that involve a neutral third party with the authority to determine a binding resolution through some form of judgment or award. Adjudication is carried out in various forms, but most commonly occurs in the court system. Adjudication involves the intervention in the conflict by a third party appointed by government for the purpose of deciding the nature of final settlement. It is utilized when parties fail to arrive at a settlement through other voluntary methods.

TRADE UNIONS AND PARTICIPATIVE MANAGEMENT

TRADE UNION

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Trade unions are associations of workers and are formed with the intention of protecting the workers against exploitation of the employers and also to improve the workers' conditions. The industrial revolution in England and in other countries and the advent of the factory system of production aggregately responsible for the emergence of trade unions. The modern industrial establishments employ the workers in conditions which make them helpless in bargaining individually. The workers are unorganized and are subject to exploitation by the employer. This exploitation of the employers is resented by the working class. Hence they form unions to protect themselves against the exploitations of the employers. Thus, the trade union movement arose for the purpose of defending their rights, for improving their living and working conditions and for protecting their interests. From a small beginning, this movement has now grown into worldwide movement for achieving social justice, economic equality and preservation of democratic values of life.

DEFINITION OF TRADE UNION:

The term "Trade Union" is commonly used to refer to the organization of workers formed to protect their rights and to enhance their welfare. Trade unions are a major component of the modern industrial relations system.

Trade union is a voluntary organization of workers formed to protect and promote their interests through collective action. It may be formed on plant basis, industry basis, firm basis, regional basis or national basis. Different writers and thinkers have defamed the trade union differently. A few definitions are given below:

"Trade union is a *continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives.*"

-Web

"A trade union means and association of workers in one or more occupation-an association carried on mainly, for the purpose of protecting and advancing the members' economic interests in connection with their daily work".

-G.D.H. Gole

"A trade union is an association of employees designed primarily to maintain or improve the conditions of employment of its members."

-Lester

A trade union is a continuous association of persons in industry, whether employers, employees or independent workers-formed primarily for the purpose of the pursuit if the interest of its members and of the trade they represent.

-The Trade Union Act 1926

Any combination, whether temporary or permanent, formed primarily for the purpose of revaluating the relations between workmen and employers, or between workmen and workmen, or between en employers and employers, and for imposing restrictive conditions on the conduct of any trade or business and includes any federation of two or more trade unions.

A trade union is formed with the object of improving the conditions of employment for its members. The term trade union is restricted here only to mean the association of workers. According to Edwin B. Flippo, *"a labour union, trade union is an organization of workers formed to promote, protect and improve, through contractive action, the social, economic, and political interests of its members."* The economic aspect relates to wages, hours of work, working conditions, etc.

According to Trade Union Section 2(h) of the Trade Unions Act, 1926 has defined a trade union as *'Any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workmen and employers, or between workmen and workmen, or between employers and employers, or for imposing restrictive conditions on the conduct of any trade or business, and includes any federation of two or more trade unions.'*

In this definition the relationships that have been talked about are both temporary and permanent.

Then this definition talks about three relationships. They are relationship between the:

- Workmen and workmen
- Workmen and employers
- Employers and employers.

"A trade union is a continuous association of workers which is formed with the purpose of protecting the interests of workers."

An analysis of the above definition reveals that a trade union must be:

- i) A combination of workers and employers. Such a combination could be temporary or permanent.
- ii) It should include federation of two or more unions.
- iii) To regulate relations among workmen, between workmen and employers or among employers themselves.

FEATURES OF TRADE UNIONS:

1. It is formed on a continuous basis. It is a permanent body and not a casual or temporary one. They persist throughout the years and consider their purpose as one, which is not merely immediate but continuous.
2. Trade union is an organization formed by employees or workers.
3. It is formed to protect and promote all kinds of interests—economic, political and social of its members. The dominant interest with which a union is concerned is, however, economic.
4. The origin and growth of trade unions have been influenced by a number of ideologies. The socio-economic and even political movements have influenced trade union in many ways.
5. It achieves its objectives through collective action and group effort

OBJECTIVES OF TRADE UNIONS:

Trade unions are formed to protect and promote the interests of their members. Their primary function is to protect the interests of workers against discrimination and unfair labor practices. Trade unions are formed to achieve the following objectives:

- i) **Wages and Salaries:** The factor which drew the major attention of the trade unions is wages and salaries. In organizations, differences may arise in the process of the policy implementation related to wages. Trade unions aim to improve the economic lot of employees by securing for them better wages.
- ii) **Working Conditions:** Trade unions with a view to safeguard the health of workers demands the management to provide all the basic facilities such as lighting and ventilation, sanitation, rest rooms, safety equipment while discharging hazardous duties, drinking, refreshment, minimum working hours, leave and rest, holidays with pay, job satisfaction, social security benefits and other welfare measures. Trade unions look forward to secure better working conditions for the workers.
- iii) **Discipline:** Trade unions protect the workers from the clutches of management whenever workers become the victims of management's unilateral acts and disciplinary policies. This victimization may take the form of penal transfers, suspensions, dismissals, etc. Thus, the victimized worker may be protected by the trade union.
- iv) **Personnel Policies:** Trade unions may fight against improper implementation of personnel policies in respect of recruitment, selection, promotions, transfers, training, income security etc.

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- v) **Welfare:** Trade unions promote individual and collective welfare.
- vi) **Employee-employer relation:** Harmonious relation between the employer and employee is also one of the major goals of trade union.
- vii) **Negotiating machinery:** Trade union protects the interests of workers through collective bargaining and works as the negotiating machinery.
- viii) **Safeguarding organizational health and the interest of the industry:** Trade unions help in reducing the rate of absenteeism, labor turnover and developing systematic grievance settlement procedures leading to harmonious industrial relations. Trade unions can thus contribute to the improvements in level of production and productivity, discipline and improve quality of work life.

FUNCTIONS OF TRADE UNIONS:

Broadly speaking, trade unions perform two types of functions, viz.,

- (i) Militant functions
- (ii) Fraternal functions,

Militant Functions: Militant Functions of trade unions leads to the betterment of the position of their members in relation to their employment. The aim of such activities is to ensure adequate wages, secure better conditions of work and employment, get better treatment from employers, etc. When the unions fail to accomplish these aims by the method of collective bargaining and negotiations, they adopt an approach and put up a fight with the management in the form of go-slow, strike, boycott, gherao, etc. Hence, these functions of the trade unions are known as militant or fighting functions.

Fraternal Functions:

Trade unions aim at rendering help to its members in times of need, and improving their efficiency through financial and non-financial assistance to workers. Trade unions try to promote a spirit of cooperation and promote friendly relations and diffuse education and culture among their members. They also arrange for legal assistance to its members, if necessary. Besides, these, they undertake many welfare measures for their members, e.g., school for the education of children, library, reading-rooms, in-door and out-door games, and other recreational facilities. Some trade unions even undertake publication of some magazine or journal. These activities, which may be called fraternal functions, depend on the availability of funds, which the unions raise by subscription from members and donations from outsiders, and also on their competent and enlightened leadership.

Another broad classification of the functions of unions may be as follows:

- (a) Intra-mural activities
- (b) Extra-mural activities
- (c) Political activities.

Intra-mural activities: These consist of those functions of the unions that lead to the betterment of employment conditions such as ensuring adequate wages and salaries, etc. for which the methods adopted may be collective bargaining, negotiations, strikes, etc.

Extra-mural activities: These activities help the employees to maintain and improve their efficiency or productivity, e.g., measures intended to promote a spirit of cooperation, promote friendly relations, and diffuse education among members and various other types of welfare measures.

Political activities: Modern trade unions also take up political activities to achieve their objectives. Such activities may be related to the formation of a political party or those reflecting an attempt to seek influence on public policy relating to matters connected with the interests of working class.

PRINCIPLES OF TRADE UNIONS

Trade unions function on the basis of three cardinal principles. If any one of them is threatened or is in jeopardy, they would fight back. These principles are:

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- **Unity is strength**

This fact has been very effectively brought out by Longfellow in the song of Hiawatha:

"All your strength is in your union,
All your danger is in your discord;
Therefore, be at peace henceforward,
And, as brothers, live together."

- **Equal pay for equal work or for the same job.**

This principle is based on one of the nine principles included in the ILO's charter of the freedom of labour, which says:

"Men and women should receive equal remuneration for work of equal value"

- **Security of service**

Security of service, which enjoins upon trade unions that they ensure social and economic security for their members.

TYPES OF TRADE UNION:

Trade unions may be classified in various ways

1. **Business unions:** -It is that emphasis upon the economic advantages to be bargained through collective action and thus aim at improving the wages, working hours and conditions of workers and similar other objectives largely through the process of collective bargaining.
2. **Predatory unions:** -It is that serve as a means for the enrichment of its leaders who pay only secondary attention to the advancement of interests of members. Its distinctive characteristic is the ruthless pursuit of the target by whatever means deemed appropriate at the time regardless of ethical or legal codes or effect upon those outside its own membership. Such a union may employ any of the business, friendly, revolutionary or violent methods for the achievement of its objectives.
3. **Dependant or company unions:** -It is that rely upon the support of the employer or company management or the other large groups and hence they are likely to pay secondary importance to the interests of members;
4. **Friendly unions:** -It is which are idealistic, conservative and law abiding and they mainly aspire to elevate the moral, intellectual and social life of workers to improve the conditions under which they work, to raise their material standard of living and provide them security against unemployment, accident, disease or old age. They depend upon the process of collective bargaining for the attainment of their objectives;
5. **Revolutionary unions:** -It is that are extremely radical both in view-point and action. They are class conscious and tend to repudiate the existing institutional order, especially individual ownership of productive means and the wage systems. They are strongly inclined towards strike and violence and look upon unionism and socialism as the two wings of the labour movement. Another viewpoint classifies trade unions into following categories;
6. **Craft unions:** This is the simplest form of trade unionism. They are usually formed of workers with the same craft, training and specialization, no matter in what industry or trade they are employed.
7. **General labour unions** which aim at becoming all embracing organizations accepting as a new member practically any wage earner whatever the place or character of his work or whatever his industrial qualifications may be.

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8. Industrial unions, which organize workers belonging to an industry or a group of related industries or service.
9. Federations of trade unions, which are combination of various unions for the purpose of gaining strength and solidarity. Such federations may be local, regional or statewide national and international.
10. Unions affiliated with the federation are described as affiliated unions and those, which are unaffiliated, are known as independent unions.

CRITICISM OF TRADE UNIONS BY THE EMPLOYERS

The employers have subjected trade unions to severe criticism. Some of the charges are as under:

- I. Lack of education makes the workers narrow-minded, and prevents them from taking long-term views. Thus, anything, which does not result in all, immediate reward, becomes unattractive to them. This attitude is responsible for many strikes and lock-outs in industrial concerns.
- II. Trade unions may not welcome explanation and improved methods of production for the fear that some of the workers will be put out of work. Therefore, they resort to go slow policy that retards industrial progress.
- III. When labour unions strike because of illogical grounds, incalculable losses occur to producers, community and the nation. These are harmful to the workers also. They suffer because of the loss of wages.
- IV. They create artificial scarcity of labour by demanding that only union personnel should be employed.
- V. By undue insistence on the payment of standard rates of wages, they have only leveled down the earnings of the efficient workers.

Important Forces That Make Employees Join a Union:

The important forces that make the employees join a union are as follows:

- I. **Greater Bargaining Power:** The individual employee possesses very little bargaining power as compared to that of his employer. If he is not satisfied with the wage and other conditions of employment, he can leave the job.
- II. **Make their Voices Heard:** The desire for self-expression is a fundamental human drive for most people. All of us wish to share our feelings, ideas and opinions with others. Similarly the workers also want the management to listen to them.
- III. **Minimize Discrimination:** The decisions regarding pay, work, transfer, promotion, etc are highly subjective in nature. It may rate you very differently as compared to your marketing. Similarly the personal relationships existing between the supervisor and each/ of his subordinates may influence the management. Thus, there are chances of favoritisms and discriminations.
- IV. **Sense of Security:** The employees may join the unions because of their belief that it is an effective way to secure adequate protection from various types of hazards and income insecurity such as accident, injury, illness, unemployment, etc. The trade union secure retirement benefits of the workers and compel the management to invest in welfare services for the benefit of the workers.
- V. **Sense of Participation:** The employees can participate in management of matters affecting their interests only if they join trade unions. They can influence the decisions that are taken as a result of collective bargaining between the union and the management.
- VI. **Sense of Belongingness:** Many employees join a union because their coworkers are the members of the union. At times, an employee joins a union under group pressure; if he does not, he often has a very difficult time at work. On the other hand, those who are members of a union feel that they gain respect

in the eyes of their fellow workers. They can also discuss their problem with the trade union leaders.

Five important central organizations of workers in India are

1. The Indian National Trade Union Congress (INTUC).
2. The All India Trade Union Congress (AITUC).
3. The Hind Mazdoor Sabha (HMS).
4. The United Trade Union Congress (UTUC).
5. Centre for Indian Trade Unions (CITU).

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PROBLEMS & WEAKNESSES OF TRADE UNION IN INDIA

The problems and weaknesses of trade unionism in India are as follows:

- i) **Uneven Growth:** The trade unionism in India is characterized by uneven growth, both industry-wise and area-wise. Trade unions are popular in big industries and the degree of unionization varies widely from industry to industry. Besides, trade union activities are concentrated in a few states and in bigger industrial centers mainly due to concentration of industries in those places.
- ii) **Limited Membership:** The number of trade unions in India has increased considerably. But this has been followed by the declining membership per union. This is due to the reason that any seven workers can form a union under the Trade Unions Act, 1925 and get it registered. Secondly, the rivalry among the leaders of trade unions has resulted in multiplicity of unions, thereby reducing the average size of membership per union.
- iii) **Multiplicity of Unions:** There exist several trade unions in the same establishment. The multiplicity of unions is the result of outside leadership and labor laws. The law permits and gives sanctity to small unions. Any seven persons can form a union under the Trade Unions Act, 1926. This Act confers rights on such a union. It is allowed under the Act to raise disputes, file suits, go to conciliation and even bargain with employers. Therefore, small sections of workers are encouraged to form separate Unions. There is no restriction on the number of unions to be registered in one establishment.
- iv) **Financial Problems:** The financial position of the trade unions is weak because their average yearly income is very low and inadequate. The subscription rates are very low. Under conditions of multiplicity of unions, a union interested in increasing its membership figures keeps the subscription rate unduly low. As a result, the funds with the unions are inadequate and they cannot undertake welfare programmes for their members.
- v) **Indifferent Attitude of Workers:** In India, a large number of workers have not joined any union. Moreover, all the members of the trade unions do not show interest in their affairs. The attendance at the general meetings of the unions is very low. Under such circumstance, trade unionism cannot be expected to make much progress.
- vi) **Outside Political Leadership:** Trade unions in India are led largely by people who themselves are not workers. These outsiders are politicians, intellectuals and professionals having no experience of work in industry. Outsiders continue to dominate the trade unions to advance their personal interests.

The existence of outside leadership has created the following problems:

- Since outsiders have links with political parties, they give greater importance to the interest of their political parties. At times, they do not mind sacrificing the interest of their followers for the achievement of political ends.
- Their approach towards labour problems is colored by political considerations. This hampers the growth of healthy employer-employee rela-

Check Your Progress

1. What are the three main parties to industrial relations?
2. Define Strike.

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tions. When there is an industrial dispute, the leaders try to solve it through political pressures and interventions. This naturally obstructs the growth of understanding and accommodation between workers and employers.

- Outsiders leaders are responsible for the creation of multiple unions, in case they are not satisfied with other union leaders; they would leave that union form another rival union in the same plant. Such an approach kills the solidity and solidarity of trade union movement.

SUGGESTIONS FOR THE DEVELOPMENT OF SUCH UNIONS:

- 1) **One Union in One Industry:** Multiplicity of unions in the same plant leads to inter-union rivalry that ultimately cuts at the root of the trade union movement. It weakens the power for collective bargaining and reduces the effectiveness of workers in securing their legitimate rights. Therefore, there should be only one union in one industry.
- 2) **Development of Leadership from Within:** It is of crucial importance that trade unions are managed by the workers, and not by outsiders. Leadership should be developed from within the rank and file of the workers.
- 3) **Recognition of Trade Unions:** Till recently, the employers refused recognition to the trade unions either on the basis that unions consisted of only a minority of employees or two or more unions existed.

PARTICIPATIVE MANAGEMENT

(WORKERS PARTICIPATION IN MANAGEMENT)

The managers, workers and industrial relations experts interpret the term "workers' participation in management" in different ways.

Workers' participation in management means giving scope for workers to influence the managerial decision-making process at different levels by various forms in the organization. The principal forms of workers' participation are information sharing, joint consultation, suggestion schemes, etc.

Worker's participation in management is one of the most significant models of resolving industrial conflicts and encouraging among worker's a sense of belongingness in establishment where they work. Participative (or participatory) management, also known as employee involvement or participative decision making, encourages the involvement of stakeholders at all levels of an organization in the analysis of problems, development of strategies, and implementation of solutions. Employees are invited to share in the decision-making process of the firm by participating in activities such as setting goals, determining work schedules, and making suggestions. Other forms of participative management include increasing the responsibility of employees (job enrichment); forming self-managed teams, quality circles, or quality-of-work-life committees; and soliciting survey feedback. Participative management, however, involves allowing employees to take part in making decisions. It also involves management treating the ideas and suggestions of employees with consideration and respect. The most extensive form of participative management is direct employee ownership of a company.

Definitions of workers participation in management

According to International Institute of Labour Studies, "WPM is the participation resulting from the practices which increase the scope for employees' share of influence in decision-making at different tiers of organizational hierarchy with concomitant (related) assumption of responsibility"

ILO states that, Workers' participation, may broadly be taken to cover all terms of association of workers and their representatives with the decision-making process, ranging from exchange of information, consultations, decisions and negotiations, to more institutionalized forms such as the presence of workers' member on manage-

ment or supervisory boards or even management by workers themselves (as practiced in Yugoslavia).

The main implications of workers' participation in management as summarized by ILO:

- 1 Workers have ideas which can be useful
- 2 Workers may work more intelligently if they are informed about the reasons for and the intention of decisions that are taken in a participative atmosphere.

Scope:

1. **Information Sharing:** The management ultimately takes the decision. Workers are given an opportunity to influence decisions; they play a passive role in the process of decision-making, but have no final say in the matter.
2. **Sharing Decision-Making:** This school holds that participation of an individual in something occurs when he actively takes part. The focus here is that there must exist taking part actively. Workers sit with the representatives of management to take important decisions particularly on matters affecting the workers. Workers may be members of Works Committees, Joint Management Council, etc. along with the representatives of management. The decisions are taken through mutual discussions between the representatives of the workers and those of the management.
3. **Self-control:** The essential feature of self-control (or management) is that management and workers are not visualized as two distinct groups but as active members with equal voting rights. Participation in Yugoslavia is an example of self-control.

Significance of Workers' Participation

The need of workers' participation is felt because of the following reasons :

1. **Higher Productivity:** The increased productivity is possible only when there exists fullest co-operation between labor and management. It has been found that poor labor management relations do not encourage the workers to contribute anything more than the minimum desirable to retain their jobs. Thus participation of workers in management is essential to increase industrial productivity.
2. **Greater Commitment:** An important prerequisite for forging greater individual commitment is the individual's involvement and opportunity to express himself. Participation allows individuals to express themselves at the work place rather than being absorbed into a complex system rules, procedures and systems. If an individual knows that he can express his opinion and ideas, a personal sense of eradication and involvement takes place within him.
3. **Reduced Industrial Unrest:** Industrial conflict is a struggle between two organised groups, which are motivated by the belief that their respective interests are endangered by the self-interested behaviour of the other. Participation cuts at the very root of industrial conflict. It tries to remove or at least minimizes the diverse and conflicting interests between the parties, by substituting it with cooperation, homogeneity and common interests. Both sides are integrated and decision arrived are mutual rather than individual.
4. **Improved Decisions:** Because of the existence to barriers to the upward flow of information in most enterprises, much valuable information possessed by subordinates never reaches their managers. Participation tends to break down the barriers, and makes the information available to managers. To the extent such information alters the decisions; the quality of decisions is improved.
5. **Human Resource Development:** Participation provides education to workers in the management of industry. It fosters initiative and creativity among them. It

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develops a sense of responsibility. Informal leaders get an opportunity to reinforce their position and status by playing an active role in decision-making and by inducing the members of the group to abide by them.

6. **Reduced Resistance to Change:** It should be noted that changes are randomly introduced from above without explanation. Subordinates tend to feel insecure and take counter measures aimed at sabotage of changes. But when they have participated in the decision making process, they have had an opportunity to be heard. They know what to expect and why. Their resistance to change is reduced.

OBJECTIVES OF WORKERS PARTICIPATION IN MANAGEMENT:

- To promote industrial peace
- To promote industrial democracy
- To give due recognition to the personality of the workers
- To safeguard the interest of workers
- To improve employee morale
- To satisfy worker's urge for self expression
- To give a social orientation to the business

Methods of workers participation in management

Some of the known methods commonly used for workers participation are:-

1. Board level participation
2. Ownership participation
3. Complete control
4. Staff or work councils
5. Collective Bargaining
6. Job enlargement and enrichment
7. Suggestion schemes
8. Quality circles
9. Empowered teams
10. TQM
11. Financial participation

1. Participation at the Board level:

The workers' representative on the Board can play a useful role in safeguarding the interests of workers in following ways:

- He or she can serve as a guide and a control element.
- He or she can prevail upon top management not to take measures that would be not accepted by the employees.
- He or she can guide the Board members on matters of investment in employee benefit schemes like housing, and so forth.

Some of the major problems associated with this method are:

- Focus of workers' representatives is different from the focus of the remaining members of the Board.
- Communication and subsequently relations between the workers' representative and the workers suffers after the worker's representative take upon the directorship.
- He or she tends to become separated from the workers. As a result, he or she may be less effective with the other members of the Board in dealing with employee matters.
- Sometimes there are certain differences in the cultural and educational background or in behavior and manners, such as employees' representative may

feel inferior to the other members, and he or she may feel suffocated. Hence, his or her role as a director may not be satisfying for either the workers or the management.

- Such representatives of workers' on the Board, places them in a minority. And the decisions of the Board are arrived at on the basis of the majority vote.

2. Participation through ownership:

This involves making the workers' shareholders of the company by inducing them to buy equity shares. In many cases, advances and financial assistance in the form of easy repayment options are extended to enable employees to buy equity shares. Examples of this method are available in the manufacturing as well as the service sector. One advantage of this method is that it makes the workers committed to the job and to the organization. On the other side one of the drawback is that effect of participation is limited because ownership and management are two different things.

3. Participation through complete control

Another method is that workers can acquire complete control of the management through elected boards. Self-management gives complete control to workers to manage directly all aspects of industries through their representatives. Some advantages of this method are:

- Ensures identification of the workers with their organization.
- Industrial disputes disappear when workers develop loyalty to the organization.
- Trade unions most likely prefer this type of participation.

4. Participation through Staff and Works Councils

Staff councils or works councils are bodies on which the representation is entirely of the employees. There may be one council for the entire organization or a hierarchy of councils. Members are elected by the employees of the relevant sections. Such councils play a varied role. Their role varies from seeking information on the management's intentions to a full share in decision-making. Such councils have not enjoyed too much of success because trade union leaders fear the erosion of their power and prestige if such workers' bodies were to prevail. They have different functions in the management of an enterprise, ranging from electing information on management's intentions to full share in decision-making. Here there is a basic assumption of a harmony of interests, at least on key issues.

5. Participation through Collective Bargaining

It is an industrial relations process in which employees through their elected leaders, participate on equal basis with management in negotiating labour agreements, in administering the agreements, and in redressing grievances of the workers. Through the process of Collective Bargaining, management and workers may reach collective agreement regarding rules for the formulation and termination of the contract of employment, as well as conditions of service in an establishment.

6. Participation through Suggestion Schemes:

Employees' views are invited and reward is given for the best suggestion. With this scheme, the employees' interest in the problems of the organization is aroused and maintained. Progressive managements increasingly use the suggestion schemes. Suggestions can come from various levels. The ideas could range from changes in inspection procedures to design changes, process simplification, paper-work reduction and the like. Out of various suggestions, those accepted could provide marginal to substantial benefits to the company. The rewards given to the employees are in line with the benefits derived from the suggestions.

7. Participation through Quality Circles:

This concept was originated in Japan in the early 1960s and has now spread all over the world. Quality Circle consists of seven to ten people from the same work area who

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meet regularly to define, analyze, and solve quality and related problems in their area. These circles require a lot of time and commitment on the part of members for regular meetings, analysis, brainstorming, etc. Most QCs have a definite life cycle – one to three years. QCs can be an excellent bridge between participative and non-participative approaches. For QCs to succeed in the long run, the management needs to show its commitment by implementing some of the suggestions of the groups and providing feedback on the disposition of all suggestions. Training in problem-solving techniques is provided to the members. QCs are said to provide quick, concrete, and impressive results when correctly implemented.

Advantages of QC in workers participation in management:

- Employees become involved in decision-making, acquire communication and analytical skills and improve efficiency of the work place.
- Organization gets to enjoy higher savings-to-cost ratios.
- Chances of QC members to get promotions are enhanced.

8. Empowered Teams:

Empowerment occurs when authority and responsibility are passed on to the employees who then experience a sense of ownership and control over their jobs. Employees may feel more responsible, may take initiative in their work, may get more work done, and may enjoy the work with high spirits.

EMPLOYEE DISCIPLINE

Definition: According to Richard D. Calhoun, "Discipline is the force that prompts individuals or groups to observe rules, regulations, standards and procedures deemed necessary for an organization."

Therefore discipline means securing consistent behaviour in accordance with the accepted norms of behaviour.

Nature of discipline:

Discipline involves the following three things.

- (i) Self-discipline.
- (ii) Orderly behaviour.
- (iii) Punishment

Self-discipline implies that a person brings the discipline in himself with a determination to achieve the goals that he has set for himself in life.

Orderly behaviour refers to discipline as a condition that must exist for an orderly behaviour in the organization.

Punishment is used to prevent indiscipline. When a worker goes astray in his conduct, he has to be punished for the same and the reoccurrence of it must be prevented.

Discipline can either be positive or negative.

- Negative Discipline
- Positive Discipline

Positive discipline : Involves creation of an atmosphere in the organisation whereby employees willingly conform to the established rules and regulations. Positive discipline can be achieved through rewards and effective leadership.

Negative Discipline : Under negative discipline, penalties are used to force the workers to obey rules and regulations. In other words, workers try to adhere to rules and regulations out of fear of warnings, penalties and other forms of punishment. This approach to discipline is called negative or punitive approach.

Some of the symptoms of general indiscipline can be:

1. Change in the normal behaviour
2. Absenteeism

3. Increased grievances
4. Lack of concern for performance
5. Go slow
6. Disorderly behaviour
7. Lack of concern for job
8. Late coming etc

Causes of Indiscipline

The common causes of indiscipline are as follows:

- i. **Unfair Management Practices:** Management sometimes indulges in unfair practices like:
 - Wage discrimination
 - Non-compliance with promotional policies and transfer policies
 - Discrimination in allotment of work
 - Defective handling of grievances
 - Payment of low wages
 - Delay in payment of wages
 - Creating low quality work life etc.
- ii. **Absence of Effective Leadership:** Absence of effective leadership results in poor management in the areas of direction, guidance, instructions etc. This in turn, results in indiscipline.
- iii. **Communication Barriers:** Communication barriers and absence of human approach on the part of superiors result in frustration and indiscipline among the workers. The management should clearly formulate the policies regarding discipline.
- iv. **Inadequate attention to personnel Problems:** Delay in solving personnel problems develops frustration among individual workers. The management should be proactive so that there is no discontent among the workers. It should adopt a parental attitude towards its employees.
- v. **Victimization:** Victimization of subordinate also results in indiscipline. The management should not exploit the workers. It is also in the long-term interest of the management to take care of its internal customers.
- vi. **Absence of Code of Conduct:** This creates confusion and also provides chance for discrimination while taking disciplinary action.

Different forms of indiscipline include:

- (i) Inconsistent behaviour of an employee and deviation from the standard behaviour.
- (ii) Unsafe behavior of the employee.
- (iii) Immoral action of the employee.
- (iv) When employee is abusive, disturbs the peace and is negligent towards his duties.

THE EMPLOYEE GRIEVANCE AND ITS FORMS AND PROCEDURE

Definition : According to Michael Jucius, " A grievance can be any discontent or dissatisfaction, whether expressed or not, whether valid or not, and arising out of anything connected with the company that an employee thinks, believes, or even feels as unfair, unjust, or inequitable."

A grievance means any discontentment or dissatisfaction in an employee arising out of anything related to the enterprise where he is working. It may not be expressed and even may not be valid.

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It arises when an employee feels that something has happened or is going to happen which is unfair, unjust or inequitable. Thus, a grievance represents a situation in which an employee feels that something unfavourable to him has happened or is going to happen. In an industrial enterprise, an employee may have grievance because of long hours of work, non-fulfilment of terms of service by the management, unfair treatment in promotion, poor working facilities, etc.

A grievance may take any of the following forms:

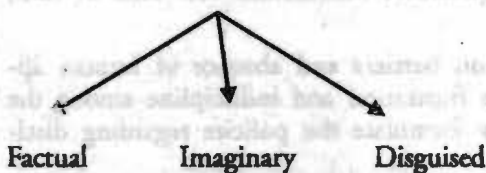
- Factual,
- Imaginary,
- Disguised.

Factual: When an employee is dissatisfied with his job, for genuine or factual reasons like a breach of terms of employment or any other reasons that are clearly attributed to the management, he is said to have a factual grievance.

Imaginary: When an employee's grievance or dissatisfaction is not because of any factual or valid reason but because of wrong perception, wrong attitude or wrong information he has. Such a grievance is called an imaginary grievance. So be careful, your grievances could be very much imaginary!

Disguised: An employee may have dissatisfaction for reasons that are unknown to himself. This may be because of pressures and frustrations that an employee is feeling from other sources like his personal life.

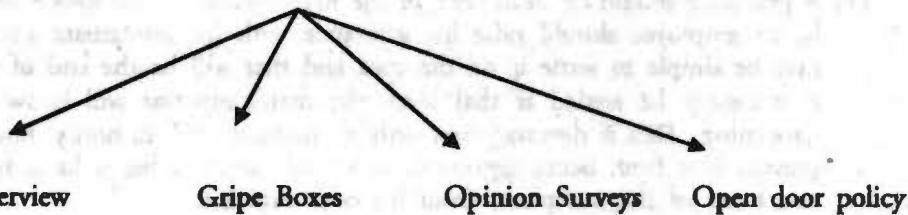
Forms of Grievances



A manager can know about the problems even before they turn into actual grievances through several means such as:

- Exit interviews
 - Suggestions boxes
 - Opinion surveys
 - Open door policy.
- (a) **Exit interview:** Employees usually quit organizations due to dissatisfaction or better prospects elsewhere. Exit interviews, if conducted carefully, can provide important information about employees' grievances. This can help the management to gather feedback and to genuinely incorporate feedback. The management should carefully act upon the information drawn from such employees. It should be careful that the discontentment is reduced so that no more employees quit the organization because of similar reasons.
- (b) **Gripe Boxes:** These are boxes in which the employees can drop their anonymous complaints. They are different from the suggestion boxes in which employees drop their named suggestion with an intention to receive rewards. It is normally said that if you want to progress in life, you should be close to critics.
- (c) **Opinion Survey:** The management can be proactive by conducting group meetings, periodical interviews with employees, collective bargaining sessions etc. through which one can get information about employees' dissatisfaction before it turns into a grievance.
- (d) **Open-door Policy:** Some organization extends a general invitation to their employees to informally drop in the manager's room any time and talk over their grievances.

Identifying Grievances



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Causes of grievances:

The causes of grievances may be broadly classified into the following categories:

- (1) **Grievances resulting from working conditions**
 - (i) Improper matching of the worker with the job.
 - (ii) Changes in schedules or procedures.
 - (iii) Non-availability of proper tools, machines and equipment for doing the job.
 - (iv) Unreasonably high production standards.
 - (v) Poor working conditions.
 - (vi) Bad employer-employee relationship, etc.
- (2) **Grievances resulting from management policy**
 - (i) Wage payment and job rates.
 - (ii) Leave.
 - (iii) Overtime.
 - (iv) Seniority and Promotional.
 - (v) Transfer.
 - (vi) Disciplinary action.
 - (vii) Lack of employee development plan.
 - (viii) Lack of role clarity.
- (3) **Grievances resulting from personal maladjustment**
 - (i) Over - ambition.
 - (ii) Excessive self-esteem or what we better known as ego.
 - (iii) Impractical attitude to life etc.

Effects of Grievances

1. Frustration
2. Alienation
3. Demotivation
4. Slackness
5. Low Productivity
6. Increase in Wastage & Costs
7. Absenteeism
8. Indiscipline
9. Labour unrest

A grievance procedure:

It is advisable to set up an effective grievance procedure in the organization. The procedure should be flexible enough to meet the requirements of the organization. It should be simple so that an average employee is able to understand it. Though

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such a procedure will vary in different organizations, yet the following principles should be observed while laying down a procedure:

- (1) A grievance should be dealt with in the first instance at the lowest level: that is, an employee should raise his grievance with his immediate superior. It may be simple to settle it on the spot and that will be the end of it. Even if it cannot be settled at that level, the man's superior will know what is happening. This is necessary not only to maintain his authority, but also to prevent him from being aggrieved, as he will certainly be, if he is by-passed and hears of the complaint from his own superior.
- (2) It must be made clear to the employee what line of appeal is available. If he cannot get satisfaction from his immediate superior, he should know the next higher authority to which he can go.
- (3) Since delay causes frustration and tempers may rise and rumours spread around the work, it is essential that grievances should be dealt with speedily. As it is said that a stitch in time saves nine, similarly the problems of the employees should be taken care of by the management least it should become a major for the management.
- (4) The grievance procedure should be set up with the participation of the employees and it should be applicable to all in the organization. The policies and rules regarding grievances should be laid down after taking inputs from the employees and it should be uniformly applicable to all in the organization. It should be agreed that there would be no recourse to the official machinery of conciliation unless the procedure has been carried out and, there is still dissatisfaction, and moreover, there must be no direct action on either side, which might prejudice the case or raise tempers while the grievance is being investigated.

Open door policy:

Under this policy, the employee can take his grievance to the chief boss and talk over the problem. As the name suggests, the management keeps its doors open for the employees to share their problems. It is said that this policy can remove the cause of grievance quickly. Though this policy appears to be attractive, it has some prerequisites.

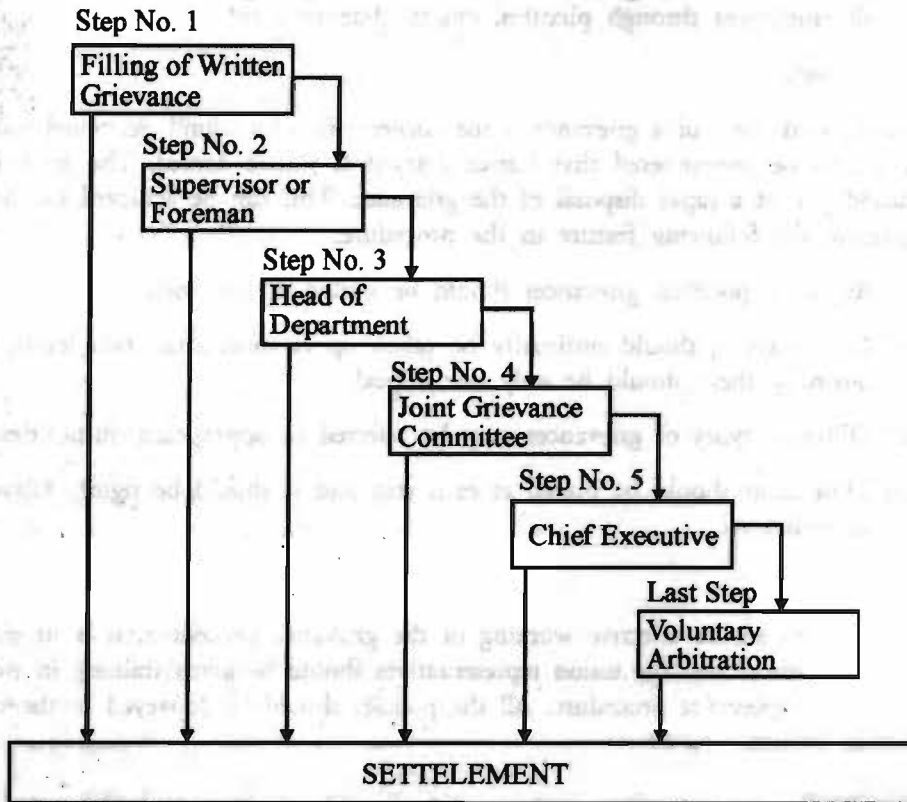
The open door policy is workable only in small organizations. In big organizations, the top management does not have the time to attend to innumerable routine grievances daily that is the work of lower-level managers.

Under this policy, the front-line supervisor who should be the first man to know about the grievances of his subordinates is by-passed. This provokes him in two ways. First, he thinks the man who skipped him is disrespectful. Secondly, he fears that he will incur his superior's displeasure because of his failure to handle his subordinates will interpret this.

Step-Ladder Procedure:

Under the step-ladder procedure, the employee with a grievance has to proceed step by step unless he is able to redress his grievance. According to the Model Grievance Procedure, an aggrieved employee shall first present his grievance verbally in person to the officer designated by the management for this purpose. An answer shall be given within 48 hours. If he is dissatisfied with the answer, the worker will present his grievance to the head of the department, who will give his answer within 3 days. If the worker is dissatisfied with the answer, he may ask that his grievance should be referred to the Grievance Committee, which shall make its recommendations within 7 days to the manager. The management must implement common recommendations of this committee. A dissatisfied worker can apply to the management for a revision of its decision within one week's time.

Let us summarize the procedure in the form of a diagram.



Step - ladder Grievance Procedure

ESSENTIALS OF A GRIEVANCE PROCEDURE:

A grievance procedure should incorporate the following features:

1. Conformity with existing legislation :

The procedure should be designed in conformity with the existing statutory provisions. Where practicable, the procedure can make use of such machinery as the law might have already provided for.

2. Acceptability :

Everybody must accept the grievance procedure. In order to be generally acceptable, it must ensure the following:

- A sense of fair-play and justice to the worker,
- Reasonable exercise of authority to the manager, and
- Adequate participation of the union.

3. Simplicity :

The following points should be noted in this regard:

- The procedure should be simple enough to be understood by every employee.
- The steps should be as few as possible.
- Channels for handling grievances should be carefully developed.
- Employees must know the authorities to be contacted at various levels.

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- Information about the procedure should be thoroughly disseminated among all employees through pictures, charts, diagrams, etc.

4. Promptness :

Speedy settlement of a grievance is the cornerstone of a sound personnel policy. It should be remembered that justice delayed is justice denied. The procedure should aim at a rapid disposal of the grievance. This can be achieved by incorporating the following feature in the procedure:

- (a) As far as possible, grievances should be settled at the lowest level
- (b) No matter it should ordinarily be taken up at more than two levels, i.e. normally there should be only one appeal.
- (c) Different types of grievances may be referred to appropriate authorities.
- (d) Time limit should be placed at each step and it should be rigidly followed at each level.

5. Training :

In order to ensure effective working of the grievance procedure, it is necessary that supervisors and the union representatives should be given training in working of the grievance procedure. All the policies should be conveyed to the concerned parties.

6. Follow-up :

The personnel department should review the working of the grievance procedure periodically and necessary changes should be introduced to make it more effective, this is generally ignored by the organizations. A regular follow up of the system increase the faith of the people in the system. Therefore it is necessary that the grievance procedure should be reviewed whenever it is so required.

EMPLOYEE EMPOWERMENT

The meaning of empowerment is to make a person eligible for discharging his duties in a socially desirable manner so that he can get his proper entitlement, status and recognition.

In other words true meaning of empowerment is to give the person best guidelines and directions. Empowerment does not mean just giving authority. In true sense empowerment is participation of people in decision-making.

In the context of industrial relations, empowerment can be practiced through the following committees and councils

These are also commonly referred to as the forms of Participation:-

- Works Committee
- Joint Management Councils also known as JMC
- Worker Director
- Shop and Joint Councils
- Quality Circle

(1) Works Committees (1947):

The Industrial Disputes Act, 1947, provides for the setting up of bipartite works committees as a scheme of workers participation in management that consists of representatives of employers and employees.

The Act provides for these bodies in every undertaking employing 100 or more workmen.

The aim of setting up of these bodies is to promote measure for maintaining harmonious relations in the workplace and to sort out differences of opinion in respect of matters of common interest to employers and employee. Now that is an important role!

The Bombay Industrial Relations Act, 1946, also provides for these bodies, but under the provisions of this Act they can be set up only in units that have a recognized union and they are called joint committees. The workers directly elect their representatives where there is a union.

Their functions include discussion of conditions of work like:

- Lighting
- Ventilation
- Temperature
- Sanitation
- Water supply for drinking purpose
- Provision of canteens
- Medical services
- Safe working conditions
- Administration of welfare hands
- Educational and recreational activities
- Encouragement of thrift and savings

(2) Joint Management Councils (JMCS 1958)

The Second Five-Year Plan recommended the setting up of joint councils of management consisting of representatives of workers and management.

The Government of India deputed a study group (1957) to study the schemes of workers' participation in management in countries like UK, France, Belgium and Yugoslavia. The report of the study group was considered by the Indian Labour Conference (ILC) in its 15th session in 1957 and it made certain recommendations.

- a. Workers participation in management schemes should be set up in selected undertakings on a voluntary basis.
- b. A sub-committee consisting of representatives of employers, workers and government should be set up for considering the details of workers' participation in management schemes.

It was also recommended that the committee should select the undertakings where workers' participation in management schemes would be introduced on an experimental basis.

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Check Your Progress

3. What is negotiation?
4. Define a Trade Union?
5. What is Employee Discipline?

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The objectives of Joint Management Councils are as follows:

- (i) To increase the association of employers and employee thereby promoting cordial industrial relations;
- (ii) To improve the operational efficiency of the workers;
- (iii) To provide welfare facilities to them
- (iv) To educate workers so that they are well prepared to participate in these schemes; and
- (v) To satisfy the psychological needs of workers.

The requirements are:

- (i) The unit must have 500 or more employees
- (ii) It should have a fair record of industrial relations
- (iii) It should have a well-organized trade union
- (iv) The management and the workers should agree to establish JMCs
- (v) Employers (in case of private sector) should be members of the leading Employers' Organization
- (vi) Trade Union should be affiliated to one of the Central Federations.

Functions:

The following are the important functions of JMCs:

- a. To be consulted on matters like standing orders, retrenchment, rationalization, closure, reduction of operations etc.
- b. To receive information to discuss and offer suggestions.
- c. To shoulder administrative responsibilities like maintaining welfare measures, safety measures, training schemes, working hours, payment of rewards etc.

(3) Worker Directors (1970) :

After the nationalization of banks, the Government advised all nationalized banks to appoint employee directors to their Boards - one representing employees and the other representing officers-having tenure of 3 years.

The scheme required verification of Trade Union Membership, identification of the representative union and the selection of a worker director who is chosen out of a panel of three names furnished to the Govt, by the representative union within a prescribed period.

(4) Shop and Joint Councils (1975 and 1977):

The 1975 scheme has come into existence after the emergency has declared in June 1975. It has envisaged the setting up of shops councils at the shop/departmental level and joint councils at the enterprise level.

These were to be introduced in manufacturing and mining units employing 500 or more workers - whether in public, private or cooperative sector.

It was decided that the Council shall function for two years and will meet

regularly to discuss matters relating to the following factors:

- 7 Safety
- Discipline
- Physical working conditions
- Welfare measures
- Productivity norms and targets
- Absenteeism
- Flow of communications etc.

It was also decided that the joint Council having a tenure of 2 years - shall be constituted for an enterprise consisting of representatives of both the management and the labour.

The Chief Executive shall be the Chairman of the Council and the representatives of workers shall nominate the Vice Chairman.

The Council will meet once in a quarter to discuss matter that remains unsolved by shop councils including:

- Schedules of working hours,
- Holidays,
- Optimum use of material,
- Productivity standards,
- Training facilities to develop skills of workers,
- Awards to workers for creative suggestions,
- General health,
- Safety and welfare of workers, etc

(5) Quality Circles (QC) :

Quality circle is made up of a small group of people belonging to the same department of an organization, who after receiving training take up solving quality and productivity related problems of their units. In Japan, a QC is a group of about ten employees within a single company department. QC is a good example of group work and WPM to increase the per-capita productivity and for making better quality and human relations in any work environment.

Case Study:

JOHN VS. STEWART

John owns a small printing business. One of his employees, Stewart, reaches his 65th birthday next month and is due to retire. John has had concerns about Stewart's productivity in recent months but has not dealt with this issue because, up to now, Stewart has been a reliable worker and because he knows that his retirement is imminent. John mentions to Stewart during the coffee break that he wants to hold a retirement party for Stewart on the evening of his last day in a local restaurant and asks him if he has a preference of venue. John is surprised when Stewart tells him that he does not intend to retire yet and that John will be breaking the law if he

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forces him to leave.

Comment: Age Discrimination legislation came into force in October 2006. It is lawful for an employer to make an employee retire at 65 as long as a prescribed procedure is followed. The employer must notify the employee in writing of the date of their retirement at least 6 months before that date and the employee then has the right to request to continue working. As John has not given this required notice he is already in breach of the law but he might be able to recover the situation if he acts promptly. However, if Stewart brings an employment tribunal claim, the tribunal will make an award of up to 8 weeks' pay for this breach. If John does not give the proper written notification to Stewart until 2 weeks or less before the retirement date an employment tribunal would consider that Stewart's dismissal is automatically unfair and the compensation awarded could be much higher.

John needs to write straight away to Stewart to notify him formally of his retirement date and to give him the chance to request to stay on. John then needs to hold a meeting with Stewart (and his companion) to consider his request and respond accordingly. If John decides not to agree to this request, Stewart has the right to appeal against this decision.

QUESTIONS

Question 1) What would you do if you were Stewart?

Question 2) Discuss case with SWOT analysis?

SUMMARY

- The term "Industrial Relations" is used to refer to the relations between the parties within the industry.
- The focus of industrial relations is on the study of the attitudes, relationships, practices and procedures developed by the contending parties to resolve or at least minimize conflicts.
- Industrial relations are born out of employment relationship in an industrial setting. Without the existence of two parties i.e. labor and management, this relationship cannot exist.
- The industrial disputes may be individual disputes such as disputes relating to reinstatement, compensation for wrongful termination. Disputes relating to wages, bonus, profit sharing, hours of Work etc., are collective disputes.
- A trade union or labour union is a continuing long term as association of employees formed to promote, protect and improve, through collective action, the social, economic and political interests of its members.
- Trade unions are voluntary organizations of workers or employers formed to promote and protect their interests through collective action.
- Trade unions are the creation of industrialization and modern industrial conditions.
- Industrial revolution destroyed the earlier way of life and left the individual worker, who was protected by the customary values, to drift by himself in the anonymity of the town, and gathered these workers together around the employer.

- A major trend witnessed these days is the change in the attitude of unions towards management, industry, government and the economy. Unions are becoming increasingly matured, responsive and realistic in their thinking and action.
- Discipline is the force that prompts individuals or groups to observe rules, regulations, standards and procedures deemed necessary for an organization.
- A grievance means any discontentment or dissatisfaction in an employee arising out of anything related to the enterprise where he is working. It may not be expressed and even may not be valid.
- The meaning of empowerment is to make a person eligible for discharging his duties in a socially desirable manner so that he can get his proper entitlement, status and recognition.

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ANSWERS TO 'CHECK YOUR PROGRESS'

1. Three main parties

- The Employees' or the Workers' Organisation (Trade Union)
 - The Employers' Organisation
 - The State or Government
2. **Strike:** - A strike creates permanent rift between management and workers and also creates bitterness on both sides. When workers collectively cease work in an industry, it is known as strike.
 3. **Negotiation** is one of the principal means of settling labour disputes. However, due to lack of trust between the employers and workmen or their trade unions or inter-rivalry of the trade unions and the employers being in a commanding position, many a time negotiations fail.
 4. "Trade union is a "continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives."
 5. **Definition:** According to Richard D. Calhoon, "Discipline is the force that prompts individuals or groups to observe rules, regulations, standards and procedures deemed necessary for an organization."

QUESTIONS:

- 1) What do you mean by Industrial Relations? What are the features of Industrial relations?
- 2) What are the issues in Industrial Relations? Suggest measures for improving industrial relations.
- 3) Define the term industrial dispute. What are the causes of industrial disputes in India?
- 4) What are the reasons for arising disputes?
- 5) What are provisions for settling industrial disputes?
- 6) Define Trade union. Why do employees join Trade Unions?
- 7) What are the objectives and functions of Trade unions?

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- 8) What are the problems and weakness of Trade Union in India?
- 9) What do you mean by participation? What are the objectives of worker's participation in management?
- 10) What are the methods through which workers can participate in management?
- 11) What is meant by Employee Discipline? What are the causes of indiscipline in Indian Industries?
- 12) What do you mean by grievance procedure?
- 13) What are the causes of employee grievance in an organization?
- 14) What do you mean by employee empowerment?

FURTHER READING

- Human Resource Management: Gary Dessler
- Human Resource Management: L. M. Prasad

The Chapter Covers :

- Meaning and Definition of Employee Welfare
- Basic Features of Labour Welfare
- Approaches to Labour Welfare
- Objectives of Labour welfare
- Principles of Labour Welfare
- Types of Labour Welfare
- Benefits of Labour Welfare
- Scope of Labour Welfare
- Importance / Need of Labour Welfare
- Labour Welfare in India
- Agencies in Labour Welfare in India

Learning Objectives:

After going through this chapter, you should be able to:

- Define Employee Welfare
- Understand Basic Features, Approaches, Objectives and Principles of Labour Welfare
- Understand Types, Benefits and Scope of Labour Welfare
- Discuss Labour Welfare in India
- Know Agencies in Labour Welfare in India

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INTRODUCTION

The industrial development of any country depends to a great extent on a satisfied labour force. Mere monetary rewards cannot make them feel satisfied. In almost all the countries of the world, statutory measures have been taken to ensure a minimum living wage and also reasonably good amenities. But the workers cannot cope with the pace of modern life with minimum subsistence (food and provisions) amenities. The bare minimum amenities alone cannot satisfy the labour force and ensure the intellectual, physical, moral and economic betterment of the workers. The labour also needs a word of praise and appreciation along with wages so as to keep their body and soul together.

However, the provision of these benefits or extra stimuli is not obligatory and the employers are at liberty to provide or not to provide the various amenities. These non-statutory benefits are denoted as labour welfare measures and they are of great importance to the workers. The money spent on labour welfare should not be regarded as a waste but a wise investment. These measures bring a profitable return in the form of higher production and greater efficiency.

Nowadays, welfare has been generally accepted by employers as a social right. But the degree of importance given by them varies. Therefore, the Government also intervenes and introduces legislation from time to time to bring about uniformity in providing such amenities. The intervention of the state, however, is only to widen the area of its applicability.

MEANING AND DEFINITION OF EMPLOYEE WELFARE

Labour welfare is a flexible and elastic concept. Its meaning and implications differ widely with times, regions, industries, countries, social values and customs, the general economic development of the people and the political ideologies prevailing at particular moments. As such, a precise definition is rather difficult.

However, attempts have been made by expert bodies to define the concept in their own way. Let us study some of the definitions:

In the words of Prof. H.S. Kirkaldy, *"The whole field of welfare is one in which much can be done to combat the sense of frustration of the industrial workers, to relieve them of the Personnel and family worries, to improve their health, to offer them some sphere in which they can excel, others and to help them to a wider conception of life."*

In the second Asian Regional Conference of ILO, it was stated that workers' welfare may be understood to mean *"such services, facilities and amenities which may be established in or in the vicinity of undertakings to enable the persons employed in them to perform their work in healthy and peaceful surroundings and to avail of facilities which improve their health and high morale."*

According to Balfour committee, *"Labour welfare refers to the efforts made by the employers to improve the working and living conditions over and above the wages paid to them. In its widest sense it comprises all matters affecting the health, safety, comfort and general welfare of the workmen, and includes provision for education, recreation, thrift schemes, convalescent homes"*. It covers almost all fields of activities of workers e.g., social, economic, industrial and educational.

According to Labour Investigation Committee, *"Anything done for the intellectual, physical, moral and economic betterment of the workers, whether by the employers, by the governments or other agencies over and about what is laid down by law or what is normally expected on the part of the contractual benefits for which worker may have bargained."*

This is really an exhaustive definition. It covers and highlights all the important aspects of the concept of labour welfare.

According to N.M. Joshi, "welfare work covers all the efforts which employers take for the benefit of their employees over and above the minimum standards of working conditions fixed by the Factories Act and over and above the provisions of the social legislation providing against accident, old age, unemployment and sickness".

On analysis of the above definitions, a simple definition of Labour Welfare can be framed of under: *Labour welfare implies the setting up of minimum desirable standards of the provision of facilities like health, food, clothing, housing, medical assistance, education, insurance, job security, recreation etc. Such facilities enable the worker and his family to lead a good working life, family life and social life.*

Labour Welfare thus embraces in its fold all efforts which have their object of improvement of health, safety welfare and general well-being of the workers. It is confined to those activities which are undertaken statutorily or otherwise, inside the industrial premises or outside by any agency, government, employers which do not come under social insurance conditions, and which lead to improvement in health, efficiency and happiness of industrial workers and their families e.g. recreational, medical, educational, washing, bathing, transport facilities, canteens and crèches, etc. Thus, the term labour welfare covers not only the workers but also their families.

BASIC FEATURES OF LABOUR WELFARE

The various definitions referred above clearly enlist the basic characteristics of labour welfare which are as follows:

1. Labour welfare includes amenities that are provided not only to the employees of the undertaking but also to their family members.
2. The facilities and welfare amenities provided are not identical all over the world. They differ widely depending on the historical, cultural and environmental conditions.
3. These measures are provided not only by the employers but also by the Government, trade unions and the other outside agencies also.
4. Welfare measures do not include those facilities which are statutory or obligatory under any contract between the employer and the employee. Thus, they are only optional and voluntarily provided.

APPROACHES TO LABOUR WELFARE

Labour welfare is a dynamic concept and it has constantly adopted itself to the changing circumstances. This development is however, evolutionary. There have been three general approaches in the evolution of the concept. They are:

1. Paternalistic Approach
 2. Industrial Efficiency Approach
 3. Social Approach
1. **Paternalistic Approach:** - In the early phase of industrialization i.e., during the early days of this century, the paternalistic approach of labour welfare was adopted. The employers of those days started providing such facilities duly motivated by philanthropic, humanitarian and religious considerations. In those days, the employers maintained direct contact with their workmen. Hence, they were in a position to understand their problems, difficulties and strains. But those days have gone and at present provision of welfare amenities can no longer be regarded as an act of charity.
 2. **Industrial Efficiency Approach:** - The next step in the evolutionary process was the industrial efficiency approach. With the passage of time, the size of business undertakings became large. They were organized in the form of

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joint stock companies and there was a total separation of ownership and management. Hence, the so called employers were no longer able to maintain direct contact with the workers. Besides, there was also an acute need for increase in production etc. The persons at the helm of affairs feel that the problem of increasing efficiency can be tackled only through provision of welfare facilities to the employees. But this approach was not free from defects. Trade unions strongly opposed it. They felt that the workers welfare could not be treated at par with the problems of care, maintenance and up keep of machines. J.V.C. Brown made a pointed reference about this weakness and stated that motive behind the provision of such facilities was wrong and selfish. Facilities were provided not for any social cause or with broad outlook but to increase the efficiency of the workers which ultimately bring profit to the pockets of the industrialists. Hence this approach also became unpopular.

3. **Social Approach:** - The latest trend in the concept of labour welfare is the shift of emphasis from that of increased efficiency to the promotion of the general welfare of the workers. This social approach does neither involve any philanthropic consideration nor the ulterior motive of increasing the level of labour efficiency. In other words, labour welfare is an end itself and the development of loyalty towards the employer and merest in efficiency is only incidental. However, it is believed that improvement of workers morale, efficiency and loyalty shall be the natural outcome of such provisions. This approach is welcomed by the workers and their unions.

OBJECTIVES OF LABOUR WELFARE

Prof. HS. Kirkaldy, in his well known book "The Spirit of Industrial Relations", rightly remarked that welfare measures are undertaken by the employees to achieve the following objectives.

1. To combat the sense of frustration in the industrial workers.
2. To relieve the workers of Personnel and family worries.
3. To improve their health.
4. To afford them the means of self-expression.
5. To offer them some new sphere in which he can excel others.
6. To help them to become a part of a wider concept of life.

PRINCIPLES OF LABOUR WELFARE

To achieve the objectives cited above, the following cardinal principles should be kept in mind while designing any scheme of welfare facilities:

1. **Right Spirit:** - The welfare activities should be undertaken in the right spirit. They are neither a substitute for low wages nor other allowances nor should they be provided to undermine the influence of the trade unions.
2. **Should Serve the Real Need of the Workers:** - The scheme so formulated must serve the real need of the employ as concerned. Different workers require different types of welfare services. Depending on the nature of the industry, the industrialist should assess the actual need of the workers and the priorities should be determined.
3. **Co-operation of the Workers:** - No welfare scheme can succeed without the active support of the workers. The workers should be allowed to participate in the formulation and administration of any welfare scheme to achieve the real objectives of the scheme.

Check Your Progress

1. Define Labour Welfare?
2. What are various approaches to Labour Welfare?
3. What are intramural facilities?

4. **No Compulsion:** - There should be no compulsion for the workers to avail of these facilities. In other words, labour welfare should be voluntary and the workers should be free to take advantage of such facilities.

TYPES OF LABOUR WELFARE

It is very difficult to classify the welfare activities into certain broad categories. The authors are not unanimous in their views. However, we shall classify them into five categories:

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1. **Intramural Facilities:** - The facilities provided inside the factory are known as intramural facilities. These facilities include activities relating to minimization of industrial fatigue, provision of safety measures like fencing and covering of machines, good layout of the plant and machinery, sufficient lighting conditions, first aid appliance etc. Provisions of such facilities are also obligatory in all industrial establishments all over the world.
2. **Extramural Facilities:** - Facilities offered to the workers outside the factory are known as extramural facilities. They include better housing accommodations, indoor and outdoor recreation facilities, sports, educational facilities etc. The provision of these facilities is voluntary. Earlier, due attention was not given to the provision of extramural facilities to the workers but now it is realized that these facilities are very important, for the general welfare and enlistment of the workers.
3. **Statutory Facilities:** - Under this category, welfare facilities are provided according to the labour legislations passed by the Government. The nature and coverage of these facilities vary from country to country. Again these facilities vary either intramural facilities or extramural facilities. These facilities must be provided by all the employers and cannot be ignored. Any contravention of the statutory provisions shall render the employer punishable under the Act concerned.

The National Commission of Labour has divided all the statutory measures under two distinct heads:

- a) Facilities which have to be provided irrespective of the size of the establishment e.g., drinking water.
 - b) Facilities which are to be provided subject to the employment of a specified number of persons, e.g., crèches.
4. **Mutual Facilities:** - These facilities are usually outside the scope of the statutory facilities. These activities are voluntarily undertaken by the workers themselves for their own interest. As such the employer has no say in it.
 5. **Voluntary:** - The facilities which are voluntarily provided by the employers come under this category. Hence these are not statutory. No doubt, the activities under this category ultimately lead to increase in the efficiency of workers.

BENEFITS OF LABOUR WELFARE

Provision of Labour welfare activities brings an all-round development of workers. In particular, these measures bring the following benefits to the workers and to the society as well:

1. **Improved Industrial Relations:** - These measures provide great satisfaction to the workers and also help in maintaining industrial peace. Conflicts, chaos, unrest etc. are minimized. A feeling of oneness with the organization is created.

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2. **Increase in the General Efficiency and Income:** - Welfare facilities make her workers happy and contented both at home and the factory and it brings improvement in their general efficiency. Their efficiency and productivity may not be up to the mark, if they are not relieved of their domestic worries like poor housing, unsanitary conditions etc. Once they are relieved of these worries, they work with full zeal and enthusiasm.
3. **High Morale:** - The welfare measures shall also help in securing the willing co-operation of the workers. Once satisfied they will be less tempted to destructive and anti-social activities. Thus, a high degree of employee morale is ensured.
4. **Creation of Permanent Labour Force:** - These facilities will provide an attraction to the workers to stay longer in the undertaking. In the absence of such facilities, the workers often leave for their villages in search of recreation etc. Efficient workers can also search for better chances and may switch over to other establishments. In order to create a permanent labour force, such facilities are essential.
5. **Improvement in the Mental and Moral Health:** - These facilities bring a drastic change in the outlook of the workers, improve their mental faculty and help them in becoming good citizens. In the absence of such facilities, they are bound to fall prey to the various social evils like drinking, gambling etc.
6. **Change in the Outlook of Employers:** - A change in the attitude and outlook of the employees and their heartfelt co-operation shall also change the outlook of the employers as well. They will become more sympathetic towards them. They will not even hesitate to share the fruits of their hard labour with the workers.
7. **Social Benefits:** - Besides the various economic advantages to the employers and employees, these measures also offer various social advantages. The increase in the efficiency of the workers ultimately leads to an increase in production, productivity and the earnings of the undertakings. The increased earnings also lead to higher wages and make the workers happier and enable them to live "a richer and fuller life". Finally, the living standard of the society is raised.

SCOPE OF LABOUR WELFARE

A perusal of the definitions indicates that the term labour welfare is a very comprehensive concept and is wide in its scope. It includes in its fold all efforts he forms of amenities and activities which vary from place to place, industry to industry and time to time. Labor welfare activities are broadly classified as: -

1. Statutory,
2. Non-statutory or voluntary and
3. Mutual.

Statutory provisions relating to welfare of workers have been promulgated by the government of India in different enactments viz, Factories Act, 1948; Mines Act, 1952; The Motor transport Workers Act, 1961; Dock Workers Safety Health Act 1951; The Merchant Act 1961; Plantation Labour Act, 1951, The Merchant Shipping Act, 1958, Coal Mines Labour Welfare Fund Act, 1974 and Mines Labour Welfare Fund etc the provisions contained in these Acts provide the minimum standards of health, safety and welfare of workers. Employers are supposed to adhere to these provisions.

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Voluntary welfare includes all those activities which employers undertake for their employees on voluntary basis. It is a philanthropic approach or the part of the employer to provide various welfare facilities to the workers over and above the statutory measures. Some of the important - voluntary welfare activities on the part of the employers may be provision of housing facilities, transportation, recreational facilities, formation of cooperative societies, children's education, and loans for purchasing sectors, cars and grains, provision of library, leave travel concessions, uniforms and gifts etc.

Mutual welfare is "a corporate enterprise" undertaken by the workers themselves or their organization called trade unions. In India, the trade unions are financially weak and are unable to undertake such activities the large-scale. However, in advanced countries the labour welfare activities are the important functions of trade unions.

The Committee of experts on welfare facilities for Industrial workers constituted by the I.L.O. in 1963 had divided the welfare services into two groups.

- a) **Welfare amenities within the precincts of the establishment (intra-mural) :** Latrines and urinals, washing and bathing facilities, crèches, rest rooms and canteens, arrangements for drinking water, arrangements for prevention of fatigue, health services including occupational safety, administrative arrangements within a plant to look after welfare, uniforms and protective clothing and shift allowance.
- b) **Welfare amenities outside the establishments (extra-mural):** in eternity benefit, social insurance measures including sports, cultural activities, horary and reading room, holiday homes and leave travel facilities, workers' cooperatives including consumers cooperative stores, fair price shops and cooperative thrift and credit societies, vocational training for dependents of workers, other programmes for the welfare of women, youth and children and transport to and from the place or work. Thus, labour welfare is very comprehensive and embraces a multitude of activities of employers, state, trade unions and other agencies to help workers and their families in the context of their industrial life.

Thus the scope of labour welfare is fairly wide. The concept of labour welfare embraces a multitude of activities including all extra mural, intra mural activities, as well as statutory and non-statutory welfare measures undertaken by the employee, the government and the trade unions to help workers and their families in the context of their industrial life. It is, therefore, concluded that labour welfare is a convenient term to cover all those aspects of industrial life which contribute to the well being of a worker.

IMPORTANCE / NEED OF LABOUR WELFARE

The necessity for labour welfare is felt all the more in our country because ours is a developing economy aiming at rapid economic and social development. The need for labour welfare was felt by the Royal Commission on Labour in 1931. The philosophy of labour welfare and its necessity was mentioned in a resolution passed by the Indian National Congress on fundamental rights and economic programme in its Karachi Session in 1931. The resolution demanded that the organization of economic life in the country must conform to the principles of justice and it might secure a decent standard of living. It also emphasized that the state should safeguard the interest of industrial workers and should secure for them by suitable legislation a living wage healthy conditions of work, limited hours of work, suitable machinery for the settlement of disputes consequences of old age sickness and unemployment.

Following motives and considerations have promoted employees to provide welfare measures:-

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1. It is helpful in winning over their employees' loyalty and to combat trade unionism.
2. It builds up a stable labour force by reducing labour turnover and absenteeism
3. It raises the morale of workers. A feeling is developed among the worker. That they are being looked after properly.
4. One of the reasons for provision of welfare activities in recent times by certain employers is to save themselves from heavy taxes on surplus.
5. The motive behind provision of welfare activities by some companies is to enhance their image and to create an atmosphere of goodwill between the labour and management and also between management and the public.
6. The social evils prevalent in the labour force such as gambling, drinking etc. are reduced to the minimum. It brings improvement in the health of the workers and keeps them cheerful.

LABOUR WELFARE IN INDIA

Labour welfare activities in our country were mainly a product of the stresses and strains during the First World War (1914-1919). Before this period there were only isolated instances of labour welfare work, mostly by outside agencies on humanitarian ground. In the post war period, the industrial expansion and the process of large scale production led to the rise of the working class as a source of power. During the Second World War (1939-45) the movement of labour welfare received further impetus. The Factories Act was enacted in 1934. It was for the first time that provision of certain welfare amenities inside the factory was made statutory. After the Second World War, both the Central and the Provincial Governments showed a keen interest in undertaking welfare measures for the workers. At the employers were not interested in providing such facilities. The Government also appointed Welfare Officers to persuade the employers to improve the welfare schemes. However, there was no significant change in their attitude. Therefore, in 1946, the programme for labour suggested a through overhauling of legislative measures to promote labour welfare. In 1947 the Factories Act was amended in an extensive manner. After independence the First Plan laid more emphasis on effective implementation of various statutory provisions. The same policy was continued during the Second Plan Period also a committee was also appointed by the Central Government to draw up a code of efficiency and welfare. The code as drafted by the committee was extensively discussed in the Indian Labour Conference and National Productivity Council. But the code was not implemented. However some of the elements of the code were subsequently included in the Industrial Truce Resolution of 1962. In the subsequent plans also, the propositions made in the earlier plans were reiterated.

AGENCIES IN LABOR WELFARE IN INDIA

The problems of labour welfare are immense and manifold and as such can't be tackled by one single agent successfully. Certain welfare activities can be easily carried on by the employers inside the factory premises viz; canteens, recreational facilities, provision of dispensary and crèches etc. Certain other measures viz; educational and employee state insurance etc., may be undertaken by the State and certain measures may be suggested by the workers' associations and trade unions. Suggestions made by All India Union Gorges in their memorandum to the Malviya Committee may be cited in this regard. In the opinion of the committee "Some of the essential items of welfare work should be kept to be made by rules. As there will be difficulties for enforcing some the well are activities such as crèches, washing and bathing facilities in the cases of

that some of these welfare activities should be made available in general body of workers for whom no expiate provision could be made. These facilities should be made order municipal or government order by the employers."

Generally undertaken by four main agencies viz,

Workers' Organization

Central Government And

The State Government.

A brief mention of these agencies is made as follows:

1. **Employer's role in welfare work:** - Employer is in direct contact with the employees. His role is pivotal in providing welfare facilities to the employees over and above what is laid down by law. There is no denying the fact that some of the leading industrialists in India are pioneers in providing well fare amenities to their employees. Some of these employers in this regard are the Mefatals, J.K. Group, Godrej, Larsen and Turbo, Pfizer, Voltas, Philips, Bajaj, TISCO, Telco etc. They have felt the necessity of welfare work and its importance in the interest of the industry and the workers. Various welfare amenities provided by the employers to the employees include educational facilities, medical facilities, crèches, transport facilities, recreational facilities, gift on the marriage of children, housing facilities and consumer co-operative societies etc. The dimensions of welfare work undertaken by the employers are diverse in nature on account of different conditions from industry to industry and from unit to unit in the same industry.

2. **Labour welfare work by workers' associations:** - This includes the welfare activities provided by the unions for the benefit of their members out of their own funds. Various trade unions have done commendable work in the field of labour welfare. The welfare activities undertaken by the Ahmadabad Textile Labour Association are worth mentioning. The association has to its credit 25 cultural and social centers spread over the labour intensive areas of the city of Ahmadabad. It provides welfare facilities for the workers in respect of schools, libraries, dispensaries, and maternity homes, cooperative societies, and training in the trade union principles. Free-legal aid etc.

The Mill Majdoor Union, Indore has set up various labour welfare centers to provide recreational and other amenities to its members. It also provides education facilities and games to the children of the employees. Night classes, reading rooms, facilities of indoor and outdoor games are also provided to the employees. For the welfare of women employees, educational facilities and crafts, stitching etc., are also provided. Similar other associations like, The Majdoor Sabha, Kanpur, the Rastriya Majdoor Sangh, Bombay and the Textile Labour Association etc. are also offering many facilities for considerable improvements in the well being of the workers and their families.

3. **Labour Welfare Work by Central Government:** - Not much contribution could be made by the Central Government in the field of labour welfare prior to the Second World War. The Government started taking interest in the field of labour welfare. During the Second World War. It extended the schemes of labour welfare in ordinary and ammunition factories. A labour welfare advisor was appointed in 1942 for ironical the labour welfare work. A labour welfare fund was constituted in the year 1948 for financing the

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Check Your Progress

4. What social benefits are given to labours?
5. What are the Agencies in Labour Welfare in India?

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labour welfare measures outside the purview of statutory provisions public sector undertakings.

4. The Government of India favored the idea of 'welfare state': - The government passed certain Acts, viz, Factories Act, 1948, the Coal Mines Labour Welfare Act, 1947, the Iron Ore Mines Welfare Cess Act, 1961 and the Limestone and Dolores Mines Labour Welfare Act, 1972, etc., are important Acts, covering the welfare workers.

Welfare funds have been created for the workers engaged in coal, iron, stone and demolitions. These funds are created by

- a) The tax of cess on the coal dispatches from the collieries
- b) A cess is levied on the production in iron-ore mining industries
- c) A cess is level on lime stone and delimit consumed by iron and steel mills, cement and other.

CASE STUDY - MOHANLAL YADAV VS. EMPLOYER

Mohanlal Yadav, an engineer with experience from Rohtaj Industries, founded The Dish Ends Ltd. in 1975 on Thane-Belapur Road in Navi Mumbai. The management was formed by four engineers, including Yadav. It was manufacturing martensitic (MS) and stainless steel (SS) vessels required for pharmaceuticals, chemical companies, fertilizer companies, large government and private enterprises like Hindustan Organic Chemicals Ltd., Nocil, Herdillia Chemicals and Standard Alkali, and other dairy and pharmacy companies. The company was also manufacturing dish ends required for diesel petrol tankers. It was a quality product for which highly skilled employees, supervisors and engineers were employed. The total strength of the company was more than 500 workers. The company was working in three shifts. It was headed by well-qualified top management.

In 1978, workers formed a union under the leadership of S. R. Kanitkar, who was the leader of workers of chemical and pharmaceutical companies in the Thane belt. His asset was that he was an advocate dealing with cases on industrial disputes. Ramesh, who was a turner in the company, along with a few local workers took lead and met Kanitkar, and under his leadership, they formed a union for the workers of Dish Ends Ltd. They registered this union under the heading of Dish Ends Employees Union and submitted a letter to the company under the presidentship of Kanitkar. Most of the workers joined this union and called it General Chemical Workers Union. They informed the management that the union wanted to negotiate the demands of the workers. The matter was not taken up seriously by the management, and it lingered until 1980.

In the meantime, S. K. Jadhav, a widely experienced personnel manager having a good understanding of the complexity of industrial relations, joined the company as its first personnel manager.

Due to financial crisis, the company was not in a position to consider the demands of the workers, and this was informed to the union unit committee several times. During meetings with the unit committee, it was observed by the management that the committee was not cooperative and was adamant during negotiations. The union had put up a charter of demands with 25 items. Its major demand was a pay rise of Rs. 1,500 per month for all the workers in their basic salary and dearness allowance. Other demands were related to increase in incentives, bonus, uniforms, increase in LTA, free transportation, education allowance, HRA etc. During the meetings, the management tried to convince the committee members by explaining the financial constraints of the company. The leadership was from the local area, and no one was able to understand the total financial implications against the demands that were

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placed before the management. The workers were getting impatient, as only the negotiations were going on and the issues were prolonged.

In December 1979, Ramesh, with the help of political parties, started pressurizing the management to fulfil their demands as per their charter of demands. The management called a meeting with the president of the union, Kanitkar, wherein they tried to explain to him the company's financial crisis and requested to maintain peace in the company as workers were unnecessarily creating unrest without understanding the management's problems. During the meeting, Kanitkar advised the committee members to maintain peace in the company so that negotiations could proceed further. Ramesh and the other committee members did not say anything and left the meeting. Both the management and the trade union leaders were unhappy with the attitude of the committee members.

In January 1980, labour unrest gradually increased, and the workmen became non-cooperative because of instigation from the committee members. They started threatening the supervisors, which adversely affected production activities. One of the supervisors of the second shift, Shashi Nair, was abused and threatened by Ramesh in relation to the pending demands. Nair tried to convince him and requested him not to become violent. Without listening to him, Ramesh slapped Nair in the presence of the workmen who were on duty in the second shift on 10 January 1980. Nair reported this matter to the management in writing the next morning. On the same day, i.e. 11 January 1980, Personnel Manager S. K. Jadhav went to Thane Police Station along with a letter detailing the factory matters to be informed to the assistant commissioner of police (ACP) of Thane. After returning from Thane, as he was walking towards the factory premises, near the company gate, Jadhav was attacked by Ramesh along with seven or eight committee members. This was witnessed by the security officer and he called the chairman and one of the directors from the office. Meanwhile, the attackers ran away from that place. With the help of the chairman and the director, Jadhav was treated in a private hospital in Vashi. Along with the medical report, a complaint was lodged by Jadhav with Turbhe Police Station. All the accused were arrested by the police and were given custody for three days thereafter.

When Ramesh was relieved from police custody, he approached Dr. Sawant's union known as 'Mazdoor Congress of Engineering Workers' located at Ghatkopar station. He met Dr. Sawant and requested him to represent on behalf of the workers of Dish Ends Ltd. Dr. Sawant advised him to enrol all the workers of the company as members of his union and, after the collection of membership fees, to stop the work in the company and then to approach him for further action to be taken by the union. At the same time, he discussed with Ramesh the details of general demands pending before the management. After two days, Ramesh brought a letter from Dr. Sawant with the same demands that they had put before the management through Kanitkar's union, and in the letter, it was demanded that their demands be settled within eight days from the receipt of the demand letter of the union or otherwise the workers would take the law into their hands and responsibility of the consequences would remain with the management. After receiving this letter, the management decided to take disciplinary action against Ramesh for assaulting the personnel manager, and accordingly on 15 January 1980, Ramesh and eight other committee members were suspended pending inquiry. The suspension letter was issued to him at the company's gate by the security officer. The company's gate was opened on 16 January 1980 as usual. Some of the workmen who tried to enter the factory for their regular work were obstructed by Ramesh and other committee members and were not allowed to go inside the factory. Somehow the staff members and the management employees went inside the factory premises, and some of the sincere and faithful

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workmen who were in the first shift also went inside the factory by force. Nearly 35 casual workers were also not allowed to go inside the factory premises for work. Ramesh gathered the other workers, including casual workers, and informed them that they had brought in Dr. Sawant's union and he has instructed to stop the work in the company completely, and that further steps would be taken by the union regarding their general demands. Further it was observed by the management that most of the skilled and sincere workers wanted to cooperate with the management and not accept the membership of the union of Dr. Sawant, and that they had signed as members of Dr. Sawant's union because of the threats and the pressure from local leaders. After getting feedback from the majority of management staff and workmen, charge sheets were issued to Ramesh and eight committee members, and they were called for domestic inquiry as per the rules. The charge sheets were related to violence inside the factory premises, assault on the people in the management, declaration of illegal strike etc. The inquiries were arranged outside the factory premises in order to conduct them peacefully. The situation in the factory was that faithful workers were frightened because of the threat by the union and the committee members. The majority of workers who were willing to continue production demanded police protection, to which the management also agreed.

After looking at the gravity of the situation at the factory, Prakash Pawar, ACP, Thane, took initiative and visited the factory. He promised the management and the workmen who were present in the factory to provide police protection within and outside the factory premises and while travelling by bus from Mumbai to the factory and back. The company worked two months more with police protection, and moral support was given to the workmen and the staff members by the management and police authorities. Meanwhile, a complaint was lodged by the management in the labour court of Thane to declare the strike as illegal and no wages for days of strike. The strike was declared illegal by the labour court, and the union and the workmen were advised to restore the situation and join work unconditionally. Meanwhile, after two to three months, all the inquiries were completed by the management ex parte, and the decision taken by the management was the dismissal of Ramesh along with eight committee members based on the findings of the inquiry officer. The management of the company removed all the 35 casual workers who did not report for duty for more than three months. This information reached all the workmen of the company and all the nearby villages. This was shocking news in that area. Meanwhile, a local leader of Shiv Sena, Kishor Salvi, met Jadhav and told him that majority of the workmen had requested him to protect their services and their lives from Dr. Sawant and local committee members, who were dismissed from the services of the company; hence he wanted to represent the workmen and to cooperate with the management to run the company smoothly as it was a question of bread and butter for the local workmen as well as of the survival of the company. Salvi also met the chairman of the company, Mohanlal Yadav, and promised him accordingly. Thereafter, he formed a committee of 11 new unit members and sent an introductory letter to the company in the name of Shramik Sena Union. After the entry of Shramik Sena, Dr. Sawant's union members were causing trouble for the faithful workmen and the management staff. On the request of Kishor Salvi, the management recruited 35 new casual workers based on the 'sons of the soil' policy. Later, this was informed to the labour department of the Government of Maharashtra. The company also got the sympathy of the Government of Maharashtra. Meanwhile, Shramik Sena made an application in the industrial court of Thane for its recognition under the MRTU and PULP Act, 1971. The application of Dr. Sawant's union in relation to the illegal removal of Ramesh and other casual workers, pending before the labour court and the industrial court, was dismissed in due course. After a period of one year or so, Kishor Salvi's

Shramik Sena received a certificate of recognition from Dish Ends Ltd., and then the issue was settled by accepting 20 out of the 25 original demands of the workers.

QUESTIONS

1. What were the reasons for the industrial unrest in the company?
2. Was the dismissal of the trade union leader and the committee members justified?

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SUMMARY:

- Welfare has been generally accepted by employers as a social right.
- Labour welfare is a flexible and elastic concept.
- Labour welfare thus embraces in its fold all efforts which have their object of improvement of health, safety welfare and general well-being of the workers.
- There have been three general approaches in the evolution of the concept. They are:
 - i. Paternalistic approach
 - ii. Industrial efficiency approach
 - iii. Social approach
- Principles of labour welfare:
 - i. Right spirit
 - ii. Should serve the real need of the workers
 - iii. Co-operation of the workers
 - iv. No compulsion
- Types of labour welfare
 - i. Intramural facilities
 - ii. Extramural facilities
 - iii. Statutory facilities
- Labor welfare activities are broadly classified as: -
 - i. Statutory,
 - ii. Non-statutory or voluntary and
 - iii. Mutual.

ANSWERS TO 'CHECK YOUR PROGRESS'

1. "Anything done for the intellectual, physical, moral and economic betterment of the workers, whether by the employers, by the government or other agencies over and about what is laid down by law or what is normally expected on the part of the contractual benefits for which worker may have bargained."
2. Approaches to labour welfare are
 1. Paternalistic Approach
 2. Industrial Efficiency Approach
 3. Social Approach
3. **Intramural Facilities:** - The facilities provided inside the factory are known as intramural facilities. These facilities include activities relating to minimization of industrial fatigue, provision of safety measures like fencing and

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covering of machines, good layout of the plant and machinery, sufficient lighting conditions, first aid appliance etc. Provisions of such facilities are also obligatory in all industrial establishments all over the world.

4. **Social Benefits:** - Besides the various economic advantages to the employers and employees, these measures also offer various social advantages. The increase in the efficiency of the workers ultimately leads to an increase in production, productivity and the earnings of the undertakings. The increased earnings also lead to higher wages and make the workers happier and enable them to live "a richer and fuller life". Finally, the living standard of the society is raised.
5. Suggestions made by All India Union Gorges in their memorandum to the Malviya Committee may be cited in this regard. In the opinion of the committee "Some of the essential items of welfare work should be kept to be made by rules. As there will be difficulties for enforcing some the well are activities such as crèches, washing and bathing facilities in the cases of small factories we suggest that some of these welfare activities should be made available in industrial area for the general body of workers for whom no expiate provision could be made by the employer and these facilities should be made order municipal or government control, but may be financed by the employers."

QUESTIONS:

1. What do you understand from personnel welfare?
2. Explain the term with labor welfare or personnel welfare with special reference to Indian Industry?
3. Explain the advantages of labor welfare ?
4. Explain the principles of labor welfare ?
5. Explain approaches of labor welfare ?

FURTHER READING

- HRM: John Sterdwick

ANSWERS TO CHECK YOUR PROGRESS

12 Human Resource Audit (HRA)

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The Chapter Covers :

- Audit
- Concepts of HRD Audit
- Methodology of HRD Audit
- Need and Purpose of Formal HRA
- Purpose of HR Audit
- Essential Steps in Process of HRA
- Role of HRD Audit in Business Improvements
- Preparation for the Audit
- HRD Audit Failures
- Human Resource Information System
- Valuation of Human Resources
- Total Quality Management

Learning Objectives:

After going through this chapter, you should be able to:

- Define Audit and Human Resource Audit
- Methodology of HRD Audit
- Purpose and Process of HRA
- Describe Human Resource Information System
- Understand Total Quality Management

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INTRODUCTION

In the last two decades a large number of corporations have established Human Resources Development Departments, introduced new systems of HRD, and made structural changes in terms of differentiating the HRD function and integrating it with HR function. HR systems are people intensive and require a lot of managerial time. There are examples of corporations where HRD has taken a driver's seat and has given a lot of benefits. In today's competitive world, "people" or employees can give a good degree of competitive advantage to the company. To get the best out of HR, there should be a good alignment of the function, its strategies, structure, systems, and styles with business and its goals (financial, customer etc. parameters). It should be aligned both with the short-term goals and long term strategies. If it is not aligned, HR could become a big liability to corporations. Besides this alignment, the skills and styles of HR staff, the line managers and the top management should synergize with the HR goals and strategies. HRD audit is an attempt to assess these alignments and ensure the same.

Having a separate or a dedicated HRD Department does not guarantee good HRD. Good HD requires the following:

- 1) The top management of the organization recognizes the strategic advantage and the critical value addition provided by people.
- 2) The role of HRD is well carved out.
- 3) Line managers understand, accept, and internalise their own role in development.
- 4) A learning culture is created in the organisation.
- 5) Appropriate HRD systems are identified to suit the needs, requirements and strategies of the corporation and implemented well.
- 6) The systems are periodically reviewed and aligned and realigned with the business goals of the organisation.
- 7) Support HR policies are formulated and implemented.
- 8) The HRD function is handled by competent people.
- 9) The styles, beliefs and values of the top management are aligned to promote a good learning and competency building culture.
- 10) HRD function and the implementation of HRD is periodically reviewed and renewed.

It is to achieve the last objective HRD audit has come in to existence. HRD audit is a comprehensive evaluation of the current human resource development strategies, structure, systems, styles and skills in the context of the short and long-term business plans of a company. HRD audit attempts to find out the future HRD needs of the company after assessing the current HRD activities and inputs available. Human Resource Audit is an addition to the various tools and concepts used for effective human resources management of any labour intensive industry, more particularly, hospitality industry. In the service industry, human resources have a vital role to play as they form a part and parcel of the product or service that is being consumed. Hence, in this chapter, we aim to familiarise you with the basic concepts of human resource audit and the issues related to it.

AUDIT

Conventionally, the independent accountant, after completing an audit, is in a position to render a certificate covering his or her findings. An assertion is included in the

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certificate that a review has been made of the company's internal control system and of the accounting procedures followed. A brief statement of the scope of audit is made. Any qualifications that are applicable to the execution of the assignment or to the company's accounts are prefaced. Finally, the independent accountant renders his or her opinion regarding the company's financial statements and the basis on which the accounts have been kept. Professional ethics are observed by independent accountants. Material facts are neither missed nor misstated. Again, conventionally, during manpower audit disbursements made on account of payrolls are checked to underlying records. This may even require verification of employee's signatures on payroll receipts to the extent considered necessary. Record of the time of arrival and departure of employees is checked; so also the reports of the number of pieces turned out by piece workers. Payroll records covering bonuses and commission on sales to employees are subjected to scrutiny. Also, certain payroll deductions and contributions in accordance with several social security and welfare laws are checked to compliance and accuracy.

- Authorisations of additions to a company's personnel,
- sanctions to the grant of special bonuses and profits sharing distributions and payment of compensations,
- compliance with wage regulations

Careful consideration is given by the independent accountant to the company's system of internal control and check, while determining the scope of the programme of audit. Obviously, much of the quantum and thrust of audit can be directly related to effectiveness of the company's internal control system.

It is a general practice for independent accountants to analyse the changes which took place in the company's personnel records during the period covered by the audit. The net increase or decrease in the number of employees in any one function or function occupation is discussed with one of the company's senior executives in order to obtain the benefits of his or her comments regarding the situation.

While management can use a variety of means and measurement in control, in human resource management, audit is one of the most important devices and a significant step in the human resources planning process. Rather, it is considered as the first step in planning of human resources.

An audit is a means by which an organization can measure where it currently stands and determine what it has to accomplish to improve its human resources function. It involves systematically reviewing all aspects of human resources, usually in a checklist fashion, ensuring that government regulations and company policies are being adhered to. The key to an audit is to remember it is a learning or discovery tool, not a test. There will always be room for improvement in every organization. An HR audit provides a quick way to take stock of a company's human resources and practices with an eye toward improving them. While there are different ways to conduct an HR audit, depending on the company's goals, audits usually involve interviewing senior and mid-level management, reviewing the company's HR policies and forms, and sometimes even surveying employees. The advantage of HR audits is that they bring a level of expertise to bear on issues that, while important, most companies simply do not have the time or capacity to undertake themselves.

CONCEPTS OF HRD AUDIT

HRD Audit is Comprehensive

HRD audit starts with an understanding of the future business plans and corporate strategies. While HRD audit can be done even in organizations that lack well for-

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ulated future plans and strategies, it is most effective as a tool when the organization already has such long-term plans. The HRD audit starts with attempts to answer the following questions:

Where does the company want to be ten years from now, three years from now and one year from now? (Answers to this question ensure business linkages part of the HRD score card).

Answer to this question needs to be provided by the top-level management. If there are long-term plan documents these are reviewed. On the basis of the answers to these questions the consultants finalize the subsequent audit strategies and methodology. The consultants make an attempt to identify the nature of core competencies the organization needs to develop in order to achieve its long-term five to ten year plans. The consultants also attempt to identify skills required to be developed by the company at various levels (example, workmen level, supervisor's level, junior management level, middle management level, top management level, etc.) and with respect to various functions (finance, production, marketing, etc.). Listing all these core competencies and skills for the future is the starting point of HRD audit. The HRD audit normally attempts to assess the existing skills and the competency gaps in order to achieve the long-term business goals and short term results of the company.

The competencies may deal with technical aspects, managerial aspects, and people related or conceptual. They may cover knowledge base, attitudes, values and skills.

What is the current skill base of HRD staff in the company in relation to various roles and role requirements? (HRD Competencies Score on the HRD score card)

This is assessed through an examination of the qualifications of HRD staff, job descriptions, training programs attended, etc. Besides this, through interviews an attempt is normally made to identify the skill gap in the organization. Training needs and performance appraisal forms provide further insights. Departmental heads and other employees provide insights into the competency and other skill requirements.

What are the HRD sub-systems available today to help the organization build itself competency base for the present, immediate future as well as for long term goals? (HRD systems maturity score of the HRD score card)

The auditors attempt to identify various HRD sub-systems that are available to ensure the availability, utilization and development of skills and other competencies in the company. All the HRD tools existing in the organization are listed and studied in detail.

What is the current level of effectiveness of these systems in developing people and ensuring that human competencies are available in adequate levels in the company? (HRD systems maturity on the HRD score card)

Assessing the effectiveness of each system makes this. For example, the effectiveness of performance appraisal system is assessed by discussing with employees, individually and in-groups, about the efficacy of the system. The auditors look at the appraisal forms, look at the linkages between appraisal and training, and conduct questionnaire surveys to assess the extent to which coaching and other components of other appraisals are being utilized and also conduct workshops if necessary to assess the effectiveness of these systems. Similarly, in relation to induction training, the consultants make it a point to meet those who have been through the induction training recently or those who are in the process of being inducted into the company and take their views to improve the induction training methodology etc.

Does the HRD structure exist in the company adequate enough to manage the HRD in the company? (Contributes to HRD competencies score).

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In the next stage, an attempt is made by the auditors or consultants to examine whether the HRD structure at present can handle the pressing and future HRD needs of the company. This examination will assess the existing skill base of the HRD staff of the company, their professional preparation, their attitudes, their values, their developmental needs, the line manager's perceptions regarding them, etc. In addition to examining the full time staff, the HRD structure is also assessed in terms of use of task forces and other mechanisms.

Are the top management and senior manager styles of managing people in tune with the learning culture? (Answers to these questions contribute to the HRD culture score of the HRD score card).

Here an attempt is made to examine the leadership styles, human relations' skills, etc. of senior managers. The extents to which their styles facilitate the creation of a learning environment are examined.

HRD Audit Examines Linkages with Other Systems

The HRD audit also examines the linkages between HRD and other systems like total quality management, personnel policies, strategic planning etc. Suggestions are made on the basis of evaluation on the above questions about the future HRD strategies required by the company, the structure the company needs to have for developing new competencies and the systems that need to be strengthened, the styles and culture that has compatibility with HRD processes in the company particularly the styles of the top management, etc.

HRD Audit is Business driven

HRD audit always keeps the business goals always on focus. At the same time, it attempts to bring in professionalism in HRD. In keeping the business focus at the centre, HRD audit attempts to evaluate HRD strategy, structure, system, staff, skills and styles and their appropriateness.

HRD Audit is not a problem solving exercise. It may not be able to provide any solutions to specific problems the organizations are facing - for example Industrial Relations problem, or discipline problem, poor performance problems etc. However, it may be able to throw insights into the sources for the problem. It will not give feedback about specific individuals. It will however give feedback about the HRD department, its structure, competency levels, leadership, processes, influence of the HRD on the other systems etc. HRD audit is against the HRD framework.

METHODOLOGY OF HRD AUDIT

In order to arrive at answers to the above types of questions the auditors use a number of methods. These are described in some detail below:

- 1) **Individual Interviews:** The auditors normally make it a point to interview the top level management and senior managers individually. Such individual interviews are must for capturing their thinking about the future plans and opportunities available for the company. Also by virtue of occupying strategic positions the top management provides a perspective required for a good HRD audit. Thus a good HRD audit begins with individual interviews of top management. Individual interviews also are essential when sensitive matters and sensitive information has to be obtained. Such information is available particularly about the styles and culture through individual interviews. Union leaders, departmental heads, some strategic clients and informal leaders are all interviewed individually. In addition if the organization is small and is managed by largely professionals, an attempt is made to enlarge the coverage and randomly selected representative sample of employees from different levels and different functions could be interviewed.

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2) **Group Interviews:** Normally for the audit of companies having thousands of employees, it is not feasible to meet everyone individually. It is the experience of the author that group discussions and interviews is a good mechanism of collecting information about the effectiveness of existing systems. Group interviews are conducted normally for groups of four to eight individuals. It is preferable to have employees drawn from same or similar levels. This is because in Asian cultures there is likely to be inhibition on the part of junior employees to freely express their views in the presence of their seniors. However, it is quite common to give cross functional representation of employees in the same group. If the organisation is large, an attempt is made to conduct group interviews for each function separately to keep the levels homogenous. In the individual and group interviews for HRD audit normally the following open ended questions are asked:

- a) What do you see as the future growth opportunities and business directions of the company?
- b) What skills and competencies does the company have which you are proud of?
- c) What skills and competencies do you need to run your business or to perform your role more effectively at present?
- d) What are the strengths of your HRD function?
- e) What are the areas where your HRD function can do better?
- f) What is good about your HRD sub-systems like performance appraisal, career planning, job rotation, training, quality circles, induction training, recruitment policies, performance counselling, worker development programmes, HRD departments, etc?
- g) What is weak about them? What can be improved?
- h) What changes do you suggest to strengthen HRD in your company?
- i) What do you think are the ways in which line managers can perform more development roles, etc?

3) **Workshop:** In some cases the individual and group interviews are substituted by large-scale workshops. In the workshop a large number of participants ranging from 30 to about 300 could be gathered in a room and could be asked to do the HRD audit. Normally in the workshop the participants work in small groups either around various sub-systems of HRD or around different dimensions of HRD, do a SWOT analysis and make a presentation. The workshops also can be used focusing specifically on individual HRD systems like performance appraisal. The HRD audit if conducted through participatory methods in itself may initiate the change process. Even if it does not, it is a potential diagnostic tool and can provide a lot of information to the top management on human processes and help them plan further interventions.

4) **Questionnaire Method:** TVRLS has developed a comprehensive questionnaire which has to be administered to the executives of a company. This questionnaire has over 250 items and requires about 90 minutes to complete. This questionnaire can be administered individually or in a group. It was found useful to call groups of respondents selected randomly to a room and explain the objectives and the process of HRD audit and administer the questionnaire then and there itself. This ensures uninterrupted answering of the questionnaire and provides scope for getting more credible data due to the personal explanations given by the auditors. A number of other question-

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naires have been developed since the time the first comprehensive HRD audit questionnaires were prepared by Rao and Pareek. These questionnaires attempt to assess various dimensions of HRD including the competency base of HRD staff, the styles of line managers, the implementation of various HRD systems etc. The utility of the questionnaire is that it helps in benchmarking. TVRLS a consulting firm specialising in HRD audit over the last several years have bench marking data from several organisations.

- 5) **Observation:** In addition to the above the auditors should physically visit the workplace including the plant, the machinery, the canteen, the toilets, the training rooms, the hostels, the hospital, school, living colony, etc. These visits and observations are meant to assess the extent to which a congenial and supportive human welfare oriented climate exists in the company. This is essential because employees are not likely to give their best if they do not live in good surroundings, their health and education are not taken care of, they do not have good communication and other facilities and their work conditions are poor. The observations can be conducted using a check list of questions.
- 6) **Analysis of Secondary Data:** Analysis of secondary data can give lot of insights into the HRD assets and liabilities of the company. For example, in a company that had about 50 HR people only two were found to have the required technical training in HRD area. When an analysis of the training programmes attended by others was carried out, it was found that a large number of them did not attend any HRD programme in the last five years. Such analysis of secondary data can throw up many insights. Analysis of age profiles of the employees, analysis of the training attended, analysis of the minutes of the meetings held etc., help in determining the assets and liabilities. Such an analysis should also pay attention to the costs incurred by the company in terms of maintaining the HRD infrastructure, etc.
- 7) **Analysis of Reports, Records, Manuals and other Published Literature:** Published literature of the company including annual reports, marked hand-outs, training calendar, personnel manual, and various circulars issued from time to time are also likely to help immensely in assessing the strengths and weaknesses of HRD.

A basic audit will address compliance issues such as, the hiring process or personnel policies. We recommend a fuller assessment to address possible organization design issues and to identify opportunities for making better use of the company's human resources. Once the audit is completed, the findings are presented to management. What happens after that depends on management. The company owns the findings and can choose whether, when, and to what degree to act on them. The HR Audit helps by:

- 1) providing feedback on the value of the contribution of the HR function to the organization's strategic business objectives
- 2) assessing the quality of HR practices, policies and delivery
- 3) reporting on extent of statutory HR compliance and remedial action required
- 4) assessing HR and line management relationships and ways these can be improved
- 5) setting guidelines for establishing HR performance standards and
- 6) identifying areas for change and improvement with specific recommendations The HR

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Audit focuses on the following elements of People Management:

- Organizational Data
- Strategic HRM overview
- Staff Communication and Change Management
- HRM Operational Delivery
- Staff Performance and Morale and
- HR Performance Measures

SMART goal settings

An effective expression of the important goal setting guidelines is that you should set SMART goals. What the SMART goal setting guidelines actually mean is that your goals should be

- a) Specific
- b) Measurable
- c) Attainable
- d) Rewarding
- e) Timely

Specific

With a specific goal you can clearly see what it is you want to achieve, and you have specific standards for that achievement. In making your goals specific it is important that you actually write them, which is crucial in all goal setting guidelines. The more specific is your goal, the more realistic is your success, and the shorter is path to it. When you work on making your goal specific, you program your subconscious mind to work for you. Then, your feelings and thoughts will lead you to your goal instead of pointing at the obstacles. To make your goals specific you also need to work out the other components of SMART goal setting guidelines below.

Measurable

For a goal to be measurable you need a way to measure the progress and some specific criteria that will tell you when you can stop and the goal is achieved. Feeling the progress is very important for you to stay motivated and enjoy the process of achieving the goal.

Attainable

An attainable goal is a goal for which you see a realistic path to achievement, and reasonable odds that you get there. This does not mean that the lower you aim the more likely you reach success. It is well known that goals that work best have a challenge in them. They are chosen as ambitious as possible, but still reachable. Then they will give you more motivation and sense of achievement.

Rewarding

A goal is rewarding when you have clear reasons why you want to reach that goal. This is one more place where it is important that the goal is really yours. Have your specific reasons and expected reward in writing. If possible, even with some visual pictures. Imagine how you are going to feel when the goal is finally reached. This will ensure that the goal is really worth achieving. Then, every time you get stuck and don't feel motivated enough, read your reasons and look at the pictures. This is a known and very powerful practical technique of how to get through difficult moments and not quit.

Check Your Progress

1. Define Human Resource Information System?
2. What is Total Quality Management?
3. What is historical cost method?

Timely

The fifth requirement of the SMART goal setting guidelines is that your goal should have a specific time limit. This is also very important for your subconscious mind. Besides, time is the price you pay for the reward from achieving a goal. Setting the deadline will protect you from paying higher price than the goal is worth. This is also your protection from procrastination and perfectionism.

NEED AND PURPOSE OF FORMAL HRA

Human Resource Audit is a systematic assessment of the strengths, limitations, and developmental needs of its existing human resources in the context of organisational performance. (Flamholtz, 1987)

The premise on which the human resource audit is based is that opportunities are being missed by staying with the current approaches. It considers the human resource process as dynamic and that it must continually be redirected and revitalised to be responsive to the ever-changing needs.

Human Resource Audits give an account of the skills, abilities and limitation of its employees. The audit of non-managers are called skills inventory while the audit of managers are called management inventories. Basically, the audit is an inventory that catalogues each employee's skills and abilities which enables the planners to have an understanding of the organisation's work force. William B. Werther, Jr. and Keith defines HRA are a sort of feedback on the duties and working of the managers and other employees of the organisation. It is a sort of quality control of the human resource of an organisation. HRA can be conducted for a department or the whole organisation. It gives a more professional image and helps in bringing out the problem not necessarily linked with the Human Resource division of an organisation. HRA helps to clarify a department's role in an organisation that brings about more uniformity in action.

The commonly understood audits are the established and regular accounting audits carried out in accordance with specific statutory regulations. However, in the case of human resource audits, there is no legal obligation, but enlightened managements have voluntarily accepted its usualness depending upon the circumstances. The following circumstances may be cited as examples:

- felt concern by top management,
- compulsions of the external forces necessitating a situational audit,
- business changing significantly influenced by international business decisions
- affecting human resource management, and
- an urge on the part of human resource management professionals towards advancement of the practices and systems.

Human Resource Audit is the critical analysis of the existing human resource within the organisation. To be able to do that, the audit will have to be served with the data that is quantitative, qualitative, as well as comprehensive. In other words, the success of this stage of human resource planning solely rests upon the manner in which personnel records and other information are maintained. It is from the base of the current situation that the human resource audit is to take-off in order that the future must be planned. Hence, the information needs of such a critical exercise must be met.

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PURPOSE OF HR AUDIT

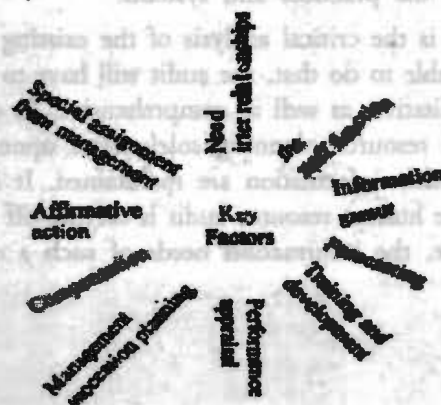
- 1) To insure the effective utilization of an organization's human resources.
- 2) To review compliance with a myriad of administrative regulations.
- 3) To instill a sense of confidence in management and the human resources function that it is well managed and prepared to meet potential challenges.
- 4) To maintain or enhance the organization's and the department's reputation in the community.
- 5) To perform a "due diligence" review for shareholders or potential investors/owners.

ESSENTIAL STEPS IN PROCESS OF HRA

Though the process would vary from hotel to hotel, generally it involves the following steps:

- 1) **Briefing and orientation:** This is a preparatory meeting of key staff members to:
 - i) discuss particular issues considered to be significant,
 - ii) chart out audit procedures, and
 - iii) develop plans and programme of audit.
- 2) **Scanning material information:** This involves scrutiny of all available information pertaining to the personnel, personnel handbooks and manuals', guides, appraisal forms, material on recruitment, computer capabilities and all such other information required for HRA.
- 3) **Surveying employees:** Surveying employees involves interview with key managers, functional executives, top functionaries in the organisation, and even employees' representatives, if necessary. The purpose is to pinpoint issues of concern, present strengths, anticipated needs and managerial philosophies on human resources.
- 4) **Conducting interviews:** What questions to ask? The direction which audit must Resource Development follow is based on issues developed through the scanning of information gathered for the purpose. However, the audit efforts will get impetus if clarity is obtained as to the key factors of human resource management selected for audit and the related questions that need to be examined.

The following model depicts various key factors required to be addressed during human resource audit. It is developed from the interview guide used in an electronic company. It must be remembered that the questions to be asked on factors given in model are required to be framed very carefully. The diagram given below illustrates the key factors and the subsequent table mentions related aspects related to each of the factors to be covered by the interviewing audit team.



The process of the interview and the sequence of questions is often as important as their content. Another effective method is the 'focus interview'. A focus interview involves meetings between a trained interviewer and selected members of the organisation. Here the interviewer asks a variety of questions planned and prepared in the same fashion as the interview questionnaire explained earlier.

5) **Synthesising:** The data thus gathered is synthesised to present the

- current situation
- priorities staff pattern, and .
- issues identified.

Similarly, future needs are identified and appropriate criteria developed for spotlighting the human resource priorities and specific recommendations made.

6) **Reporting:** Just as the planning meetings of briefing and orientation, the results of the audit are discussed within several rounds with the managers and staff specialists. In the process, the issues that get crystallised are brought to the notice of the management in a formal report. Follow-ups are necessary after an audit to see if the - action plan used to solve problems found this the audit worked or not. In conclusion, human resource audit is an important approach to human resource planning. It is practical because if correctly conducted, it should increase the effectiveness of the design and implementation of human resource policies, planning and programmes. A periodic and systematic audit helps human resource planners develop and update employment and programme plans.

Human Resource Audit is the critical analysis, of the existing human resources within the organisation. It is a systematic review and assessment of human resource management philosophies, policies, systems and practices. In terms of need, approach and procedures, human resource audit is different from the commonly understood accounting audits carried out in compliance of certain mandatory or statutory requirements. Similar to the case of Human Resource Planning, the success of Human Resource Audit is dependent. The reason for conducting a human resource audit is that it is from the base of the current situation that the future must be planned. Thus, an enormous amount of information needs to be available. But similar to the case of human resource planning, the success of this audit is dependent upon the availability of the quantitative as well as qualitative information and its use by the auditor. The purpose of human resource audit is to gather data about the organisation's human resource management and to use those data to make judgments about how it's functioning, effectiveness, and requirements for future planning and development. The decision to conduct a human resource audit and its frequency would be guided by the top management's felt concern or, amongst other considerations, a desire on the part of the human resource professionals to advance the current practices and systems prevailing in the enterprise. The audit may be conducted by the management either 'in house' or by engaging an outside consultant in order to obtain greater objectivity.

ROLE OF HRD AUDIT IN BUSINESS IMPROVEMENTS

HRD audit is cost-effective and can give many insights into a company's affairs. The auditors come for one to two weeks, camp at the organization and give a report in a month's time. They normally make a preliminary presentation at the end of their visit. HRD audit can lead to several benefits:

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1. **Getting the top management to think in terms of strategic and long-term business plans:** It may sound ironical that the HRD audit should begin with such strategic plans, but in some cases it has compelled the top management to think about such plans, while some companies started thinking about them, a few others started sharing these plans with a larger number of persons. Since the employees cannot participate in an HRD audit without some sharing of these plans, the audit has forced the top management to share their plans which has resulted in increased employee involvement. In a few cases a new system of annual planning and sharing of business plans with the management staff have been initiated to enable them plan their own activities and competency development programmes.
2. **Clarifying the role of the HRD department and line managers in HRD:** In almost all cases the HRD audit has been found to draw the attention of employees at various levels to the important role of the HRD department current as well as the future. Enhanced role clarity of HRD department and HRD function and increased understanding of line managers about their HRD role have been the uniform results of HRD audit. The degree may vary from organization to organization depending on other factors.
3. **Streamlining of other management practices:** Most often HRD audit identifies the strengths and weaknesses in the some of the management systems existing in the organization. It also points out to the absence of systems that can enhance human productivity and utilization of the existing competency base; for example, the MIS, rules and procedures, etc. which may have an effect on the functioning of the employees. In a few cases an HRD audit has helped the management look at some of these sub-systems and work procedures. Preparation of a manual of delegation of powers, clarification of roles and responsibilities, developing or streamlining the manuals of financial and accounting procedures and systems, strengthening the information systems, and sharing of information are some of the resultant activities in this direction.
4. **Better recruitment policies and more professional staff:** An HRD audit points out to the competence base required. It sets the stage and gives direction for the competency requirements of employees at various levels and thus provides a base for recruitment policies and procedures. In some companies, it has resulted in strengthening the recruitment policies and procedures. As a result of HRD audit, new recruitment and retention strategies have been worked out.
5. **Changes in the styles of top management:** One of the objectives of HRD is to also create a learning organization. A learning culture can be created only if the top managers of the company exhibit an HRD style of management. Such a style requires an empowering attitude, participative style of management, and an ability to convert and use mistakes, conflicts and problems as learning opportunities. Some of the top-level managers in India have been found to block employee motivation and learning through coercive, autocratic and even paternalistic styles of management. In such cases the HRD audit has pointed out the difficulties in developing and preparing the employees for the future. This has helped to provide subtle feedback to the top management and to initiate a change process.
6. **Improvements in HRD systems:** The HRD audit has helped most of the organizations in taking stock of the effectiveness of their HRD systems and in designing or re-designing the HRD systems. The most frequently changed or renewed systems include performance appraisal, induction training, job-rotation,

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career planning and promotion policies, mentoring, communication, and training.

7. **More planning and more cost-effective training:** HRD audits have been found to raise questions about the returns on training. One of the aspects emphasized in the HRD audit is to calculate the investments made in training and ask questions about the returns. The process of identifying training needs and utilization of training inputs and learning for organization growth and development are assessed. As direct investments are made in training, any cost-benefit analysis draws the attention of the top management and HRD managers to review the training function with relative ease. One organization strengthened its training function by introducing a new system of post-training, follow-up and dissemination of knowledge to others through seminars and action plans. Many organizations have developed training policies and systematized their training function. Assessment of training needs has also become more scientific in these organizations.
8. **Increased focus on human resources and human competencies:** One of the results of an HRD audit is to focus on new knowledge, attitudes and skills required by the employees in the organization. Comments are made about the technical, managerial, human and conceptual competencies of the staff at various levels. This differentiation has been found to help organizations identify and focus sharply on the competency requirements and gaps. The audit establishes a system of role clarity and fixing of accountabilities. This can take place through separate role clarity exercises or through the development of an appropriate performance appraisal system. In any case the attention of the organization gets focused on developing the competency base of the organization. More sensitivity is developed to the missing aspects of competencies. For example, one organization has been found to neglect human relations competencies of their staff, resulting in a large number of human problems leading to wastage of time. Some of this got stream lined and various HRD policies also got strengthened.
9. **Strengthening accountabilities through appraisal systems and other mechanisms:** An HRD audit can give significant inputs about the existing state of the accountabilities of employees. This gets assessed through performance appraisals as well as through the work culture and other cultural dimensions. A number of organizations have introduced systems of performance planning, sharing of expectations and documenting the accountabilities of staff.
10. **TQM interventions:** Quality improvements and establishing TQM systems require a high degree of employee involvement. In a number of cases the HRD audit has pointed out to the linkages between TQM and other developmental programmes and helped in strengthening the same. Due to improvements in the training system, group work and appraisal systems, TQM programmes have also improved. In a few organizations the performance appraisals have been so changed as to integrate quality aspects and internal customer satisfaction dimensions into the appraisal system. Thus, an HRD audit leads to the strengthening of the quality systems.

PREPARATION FOR THE AUDIT

The organisation has to prepare itself for the audit. Normally in the audit the HR function, systems, competencies, culture and the top management commitment come under scrutiny. All diagnoses are painful particularly if things have to improve. If things have to improve more work needs to be done, new focal points have to be

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identified and implementation has to be stepped up etc. In such cases there is more work and there are criticisms of the past. Hence it may not be always a comfortable feeling to get audit done. Hence audit requires a lot of courage and boldness on the part of the HR Department to be self critical and open to examination. HRD Audit has taken time to get popular for these and a variety of other reasons. Once done HRD Audit could realign the firm goals to HRD and could help people to drive business better and also uplift the HRD function.

As preparation for the audit the auditors have to become familiar with the current HRD status. They do this through examination of various documents relating to the existing systems and processes. Following box gives a list of documents required by the auditors before the audit:

Check-list of Documents to be made available by the HRD department for Audit

1. Personnel Manual
2. Manpower planning guidelines
3. Recruitment policies
4. Promotion policies
5. Performance appraisal manuals
6. TQM manuals
7. Quality circles, shop-floor committees etc. guidelines
8. Suggestion schemes and other guidelines
9. Training policy guidelines
10. Succession planning and career planning guidelines and methods
11. OD interventions if any taken by the organization
12. Activities of the HRD department - annual reports etc.
13. Training calendar and reports of training activities
14. Diagnostic and evaluation studies
15. Reward systems - policies and guidelines
16. Communication systems and reports
17. In-house Newsletters and other mechanisms
18. Delegation manuals or guidelines
19. Job-rotation and transfer policies and practices
20. Organizational structure of HRD department
21. Small group activities, shop-floor committees and details
22. Exit interview guidelines and data
23. Documents dealing with facilities offered to employees
24. Worker education and training programs
25. Welfare schemes and facilities
26. Residential colony facilities - guidelines
27. Climate surveys, culture studies
28. Previous HRD audit reports
29. Other studies undertaken by Summer trainees and students
30. Age profiles grade-wise and department-wise for assessing retirements etc.
31. Attrition rates, department or unit-wise and exit interview data
32. Any other documents having implication for HRD strategies
33. Organizational structure charts if necessary .

The following competencies are needed for a person to become an HRD Auditor: A thorough understanding of (the knowledge and conceptual base required for) Human Resource Development functions are:

- 1) Knowledge of organizations and how they function including Knowledge of Organizational structures and the dynamics in organizations (personal, inter-personal and team dynamics).
- 2) Knowledge of the theories of adult learning and human development processes.

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- 3) Knowledge of HRD systems and processes and methods of evaluating the same.
- 4) Organizational diagnosis and auditing skills (quality audit, PCMMM audit, ISO audit, Training audit etc).
- 5) Experience in HRD (handling Performance appraisals, Training and other functions).
- 6) Strategic thinking and knowledge of HR strategies and business development.
- 7) Specialization in any function with an understanding of how people give competitive advantage to organizations.
- 8) Interview skills.
- 9) Ability to empower and motivate people to give information and feel involved in the audit process (a faith participative approach and a positive approach to people).
- 10) Positive to people and people processes and faith in HR.
- 11) Bench marking skills.
- 12) Communication, probing, listening, sensitivity.
- 13) Presentation Report writing skills.
- 14) Desire to learn and grow.

HRD SCORE CARD

Rao (1999) has introduced the concept of HRD score card. The score card is a series of four letter grades assigned by the auditors on the basis of the HRD Audit. At the end of the audit the auditors assign letter grades for the following dimensions:

- 1) HRD Systems Maturity indicating the extent to which the firm has mature (appropriate, well designed and managed) systems in place,
- 2) HRD Competencies Maturity indicating the extent to which the HRD Managers have the required competencies to handle the HR function professionally, the extent to which line managers have the attitudes required to learn and grow, HRD styles of top management indicating the extent to which the top management styles are aligned to the HRD philosophy and make facilitate learning among all etc.,
- 3) HRD Climate indicating the extent to which the firm has the required HRD culture, and
- 4) Business Linkages Maturity indicating the extent to which the above three (Systems, competencies and culture) are aligned to the business goals or organizational objectives.

The letter grades range from an "A+" to an "F" where A+ indicates an extremely high level of maturity and F indicates an extremely low or total lack of maturity. The HRD Score card helps identify the areas the firm needs to focus at a glance. Consider the score card of the following hypothetical company.

HRD Score Card of Firm A			
Systems Maturity	HRD Competencies Maturity	HRD Culture Maturity	Business Linkages
B+	A	C	D

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The above indicates that this firm has high competency levels of HR and line staff and reasonably good HRD systems and the HRD culture has not yet fully developed (or the HRD systems did not yet have their impact) and the business linkages of all the systems are weak. The organization therefore should pay attention to ensure business linkages of the HR systems. The ROI on HR is weak.

HRD AUDIT AS AN OD INTERVENTION

A great deal of work has been done in India regarding the use of HRD Audit as an OD intervention and is a unique feature of Indian organizations. The author's experience in initiating OD with the aid of HRD audit has shown the following results:

- 1) The audit in several organizations resulted in establishing several organizational systems and processes such as potential and performance appraisal, career planning, training, mentoring. Performance appraisal and job rotation are the two most frequently affected changes.
- 2) In a few companies it has resulted in the formulation of clear-cut policies including promotion policy, communication policy, reward and recognition policy, etc.
- 3) In others it seemed to have drawn their attention to issues like developing trust, collaboration, teamwork, quality orientation etc.
- 4) In a few others it has resulted in more role clarity and direction to the employees in terms of their work leading to higher level of role efficacy.
- 5) In one of the organizations, as the audit started with the issues of future strategies the top management team could not identify the future plans. They indicated that the plans come from the multinational Head Office and they have no freedom in influencing the same. The turnover from Indian operations was negligible and therefore the parent office paid little attention to the corporation. As a result the top management could not communicate the future of the organisation clearly to the employees. This resulted in morale and motivation issues though of not a significant magnitude. The corporation has good practices and the employees were proud.
- 6) On the basis of the HRD Audit report, which indicated the difficulties in ensuring employee commitment without an appreciation of the future plans of the company, the top management team made it a point to negotiate and plan the future strategy and plans for the company.
- 7) In another company the HRD Audit indicated the need for developing locals as HRD Managers and the need for reorienting the HRD systems to local culture.

The company recruited an HRD manager as a short-term basis who designed a number of HR systems and also trained the local line managers in HRD. The systems designed were integrated into the TPM, ISO 9000 and such other interventions

The above consequences indicate that HRD Audit is cost effective and can give many insights into a company's performance improvements. While various methods like individual and group interviews, workshop, questionnaires and observation can be used as tools the success of the audit as an intervention depends on the efficiency of implementation in the post-audit phase.

HRD AUDIT FAILURES

There are at least two cases of HRD Audit not resulting in anything. The HRD Manager was very enthusiastic in getting the HRD audited. The Audit report indicated a very poor state of HRD in the company. The staff competencies were rated as poor, the practices questioned and improvements suggested. The Benchmarking data also indicated this company to be one of the poor performers in terms of HRD though in terms of the profits etc. the company was in the forefront and was facing competition.

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Though the audit started with an interview with the CEO, no opportunity was provided to the Auditors to make a presentation to the CEO. As a result the audit report did not receive any attention and the auditors considered the effort a waste. In another company, the top management commissioned the Audit but got busy with reorganization of one of their critical marketing functions. In the process and due to market competition all the energies of the top management and their HR staff got diverted to the new organizational structure and they did not even have an opportunity to know the findings of the Audit. The auditors felt that some of the audit findings directly relate to business improvements in terms of the very reorganization they were planning. But the auditors were not in a position to draw the attention of the top management. The effort did not result in anything.

These two events make it clear that the following processes in the HRD Audit have potential in initiating and managing change:

- Initial interviews with the Top management.
- Bench marking data on HRD Audit questionnaire supplied to the company.
- Presentation by the Auditors at the end of the audit.
- The report itself and the way the report is handled.

HUMAN RESOURCE INFORMATION SYSTEM

The Human Resource Information System (HRIS) is a software or online solution for the data entry, data tracking, and data information needs of the Human Resources, payroll, management, and accounting functions within a business. Normally packaged as a data base, hundreds of companies sell some form of HRIS and every HRIS has different capabilities. Pick your HRIS carefully based on the capabilities you need in your company.

Typically, the better The Human Resource Information Systems (HRIS) provide overall:

- Management of all employee information.
- Reporting and analysis of employee information.
- Company-related documents such as employee handbooks, emergency evacuation procedures, and safety guidelines.
- Benefits administration including enrollment, status changes, and personal information updating.
- Complete integration with payroll and other company financial software and accounting systems.

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- Applicant tracking and resume management.

The HRIS that most effectively serves companies tracks:

- attendance and PTO use,
- pay raises and history,
- pay grades and positions held,
- performance development plans,
- training received,
- disciplinary action received,
- personal employee information, and occasionally,
- management and key employee succession plans,
- high potential employee identification, and
- applicant tracking, interviewing, and selection

An effective HRIS provides information on just about anything the company needs to track and analyze about employees, former employees, and applicants. Your company will need to select a Human Resources Information System and customize it to meet your needs.

With an appropriate HRIS, Human Resources staff enables employees to do their own benefits updates and address changes, thus freeing HR staff for more strategic functions. Additionally, data necessary for employee management, knowledge development, career growth and development, and equal treatment is facilitated. Finally, managers can access the information they need to legally, ethically, and effectively support the success of their reporting employees.

VALUATION OF HUMAN RESOURCES

Until recently, the value of an enterprise as measured within traditional balance sheets was viewed as a sufficient reflection of the enterprise's assets. However, with the growing emerge of the knowledge economy; this traditional valuation has been called into question due to the recognition that human capital is an increasingly important part of an enterprise's total value. This has led to two important questions:

- 1) how to assess the value of human capital in addition to an enterprise's tangible assets and
- 2) how to improve the development of human capital in enterprises.

The emergence of methods for accounting human resources aimed at measuring, developing and managing the human capital in an enterprise, can thus be said to reflect the need for improving, measuring and accounting practices as well as human resource management. The accounting of human resources can be seen as just as much a question of philosophy as that of technique. This is one of the reasons behind the wide variety of approaches and the broad range of purposes for which human resources are valued.

The four major methods of valuation of human resources are the Historical cost method, multiplier method, replacement cost method and the economic value method.

Check Your Progress

4. What do you understand by a measureable goal?
5. With what HR Audit starts?

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Historical cost method

This method is similar to the conventional Profit & Loss Account and Balance Sheet, which are also stated on historical cost basis. Here the amount actually spent on an employee for recruitment, induction, training and development is added and capitalized as the opening value of cost of that employee. The capitalized amount is then amortized akin to depreciation of fixed assets over a period of time.

The expenditure incurred in acquiring and integrating new employees are amortized over the period that these employees are expected or estimated to stay in the organization. The expenditure incurred in their training and development would mostly be amortized over a shorter period of time.

The historical cost method presumes that there is a distinct relation between the cost incurred on an employee and his value to the organization at a point of time.

Multiplier Method

In this method, employees are categorized into senior management, middle management, and clerical employees. Multipliers are determined for each of these categories. The largest multiplier would undoubtedly apply to the senior management whereas the smallest multiplier would apply to the lower levels in the hierarchy.

The multiplier is then applied to the aggregate of the salaries and wages of each group to arrive at the asset value. The most important element is the multiplier in this method and they must be consistent with the total value of the business.

This method does not assume there is a one to one relation between the cost incurred on an employee and his value to the organization.

Replacement cost Method

Even as the very name suggests, this method values the human resources based on the cost that it would take to replace the organization's existing human resources. This would therefore not take into account the historical cost but the cost that would be incurred on recruitment, inducting, training and development of a new employee to replace the earlier employee.

There would also be an additional factor involved, which is the opportunity cost of lost revenue during the training and induction period of the new employee.

This method is inconsistent with the historical cost method. However, it would render more meaning and have some substance, if all the assets in the organization were valued on a replacement cost basis instead of only the human resources. This does not happen in contemporary accounting.

Economic value Method

This method presumes that a portion of the future revenues of the organization are directly attributable to the human resources of the organization. Thus the present value of future earnings calculated by applying a suitable discounting factor is taken to be the value of the human resources assets.

The practicality of this method is suspect since the discount rate is highly subjective and the apportionment of future revenues to all the factors resulting in those revenues is also subjective.

TOTAL QUALITY MANAGEMENT

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Total Quality Management (TQM) is a philosophy that says that uniform commitment to quality in all areas of an organization promotes an organizational culture that meets consumers' perceptions of quality.

The concept of TQM rests largely on five principles:

1. Produce quality work the first time.
2. Focus on the customer.
3. Have a strategic approach to improvement.
4. Improve continuously.
5. Encourage mutual respect and teamwork.

To be effective in improving quality, TQM must be supported at all levels of a firm, from the highest executive to the lowest-level hourly employee. TQM extends the definition of quality to all functional areas of the organization, including production, marketing, finance, and information systems. The process begins by listening to customers' wants and needs and then delivering goods and services that fulfill these desires. TQM even expands the definition of customer to include any person inside or outside the company to whom an employee passes his or her work. In a restaurant, for example, the cooks' customers are the waiters and waitresses. This notion encourages each member of the organization to stay focused on quality and remain fully aware of his or her contribution to it and responsibility for it.

The TQM philosophy focuses on teamwork, increasing customer satisfaction, and lowering costs. Organizations implement TQM by encouraging managers and employees to collaborate across functions and departments, as well as with customers and suppliers, to identify areas for improvement, no matter how small. Teams of workers are trained and empowered to make decisions that help their organization achieve high standards of quality. Organizations shift responsibility for quality control from specialized departments to all employees. Thus, total quality management means a shift from a bureaucratic to a decentralized approach to control.

An effective TQM program has numerous benefits. Financial benefits include lower costs, higher returns on sales and investment, and the ability to charge higher rather than competitive prices. Other benefits include improved access to global markets, higher customer retention levels, less time required to develop new innovations, and a reputation as a quality firm. Only a small number of companies use TQM because implementing an effective program involves much time, effort, money, and patience. However, firms with the necessary resources may gain major competitive advantages in their industries by implementing TQM.

CASE STUDY

An engineering organisation with over 100 employees contacted Vital HR to carry out a HR Audit. They did not have a specific HR person the role of HR fell as it often does to Finance or the Company Secretary and advice when needed was gained from a solicitor.

This organisation had robust contracts of employment in place and many HR policies and procedures. The audit gave the client an opportunity to discuss key areas

of concern within the business and to establish if their current procedures were able to help overcome them. Following the audit only a few additions to the policies were recommended. The outcome of this audit was that the client felt reassured that they were legally compliant, they had had the opportunity to discuss 'what if' situations with an HR professional and hopefully if they have any major issues will know who to turn to for advice.

Q1. What is the outcome of this case study?

Q2. Why audit is necessary for the organization?

SUMMARY:

- HRD audit is a comprehensive evaluation of the current human resource development strategies, structure, systems, styles and skills in the context of the short and long-term business plans of a company.
- HRD audit attempts to find out the future HRD needs of the company after assessing the current HRD activities and inputs available.
- Human Resource Audit is an addition to the various tools and concepts used for effective human resources management of any labour intensive industry, more particularly, hospitality industry. In the service industry, human resources have a vital role to play as they form a part and parcel of the product or service that is being consumed.
- Human Resource Audit is the critical analysis of the existing human resource within the organisation.
- HRD audit is cost-effective and can give many insights into a company's affairs. The auditors come for one to two weeks, camp at the organization and give a report in a month's time.
- Total Quality Management (TQM) is a philosophy that says that uniform commitment to quality in all areas of an organization promotes an organizational culture that meets consumers' perceptions of quality.

ANSWERS TO 'CHECK YOUR PROGRESS'

1. The Human Resource Information System (HRIS) is a software or online solution for the data entry, data tracking, and data information needs of the Human Resources, payroll, management, and accounting functions within a business.
2. Total Quality Management (TQM) is a philosophy that says that uniform commitment to quality in all areas of an organization promotes an organizational culture that meets consumers' perceptions of quality.
3. This method is similar to the conventional Profit & Loss Account and Balance Sheet, which are also stated on historical cost basis. Here the amount actually spent on an employee for recruitment, induction, training and development is added and capitalized as the opening value of cost of that employee. The capitalized amount is then amortized akin to depreciation of fixed assets over a period of time.
4. For a goal to be measurable you need a way to measure the progress and some specific criteria that will tell you when you can stop and the goal is

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achieved. Feeling the progress is very important for you to stay motivated and enjoy the process of achieving the goal.

- 5. HRD audit starts with an understanding of the future business plans and corporate strategies.

QUESTIONS:

- 1) What do you mean by the term HRDA?
- 2) Discuss the methodology of HRD Audit.
- 3) Explain need and purpose of formal HRA.
- 4) What are essential steps in process of HRA?
- 5) Write a short note on Human resource information system.
- 6) How human resources are valued?
- 7) Explain the term Total quality management.

FURTHER READING

- 1 HRM: Garry Dessler

ANSWERS TO CHECK YOUR PROGRESS

- 1. The Human Resource Information System (HRIS) is a system of information for the data entry, data tracking and data analysis needs of the Human Resource payroll, management and accounting functions within the business.
- 2. Total Quality Management (TQM) is a philosophy that emphasizes continuous improvement in quality in all areas of an organization, customer or client focus, culture that means customer perception of quality.
- 3. The method is similar to the conventional process for human resource management which are the start on manual and later the manual actually moved on an upgrade for recruitment, selection, training and development is added and expansion of the system which is one of the employer. The traditional method is then replaced that is automated in HRIS which is a period of time.