



Institute of Open and Distance Education

Faculty of Management

Human Resource Management

Human Resource Management



2MBA3



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



DR. C.V. RAMAN UNIVERSITY

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

2MBA3

Human Resource Management

2023/2024

2MBA3, Human Resource Management

Edition: March 2024

Compiled, reviewed and edited by Subject Expert team of University

1. Dr. Archana Agrawal

(Associate Professor, Dr. C. V. Raman University)

2. Dr. Preeti Shukla

(Associate Professor, Dr. C. V. Raman University)

3. Dr. Satish Kumar Sahu

(Assistant Professor, Dr. C. V. Raman University)

Warning:

All rights reserved, No part of this publication may be reproduced or transmitted or utilized or stored in any form or by any means now known or hereinafter invented, electronic, digital or mechanical, including photocopying, scanning, recording or by any information storage or retrieval system, without prior written permission from the publisher.

Published by:

Dr. C.V. Raman University

Kargi Road, Kota, BILASPUR, (C. G.),

Ph. +07753-253801, 07753-253872

E-mail: info@cvru.ac.in

Website: www.cvru.ac.in

CONTENTS

	Page No.	
Chapter 1	Concepts and Perspectives on Human Resource Management	1
Chapter 2	Human Resource Management in Changing Environment	21
Chapter 3	Corporate Objective and Human Recourse Planning	51
Chapter 4	Job Analysis and Roll Description	67
Chapter 5	Methods of Manpower Search	87
Chapter 6	Attracting and Selecting Human Resources	103
Chapter 7	Induction and Socialization	128
Chapter 8	Manpower Training and Development	135
Chapter 9	Job Evaluation and Wage Determination	160
Chapter 10	Performance Appraisal and Potential Evaluation	193
Chapter 11	Industrial Relations and Trade Unions	226
Chapter 12	Dispute Resolution and Grievance Management	276
Chapter 13	Health and Safety Management	298
Chapter 14	Employee Assistance Programme	313
Chapter 15	Voluntary Welfare Schemes and Social Security Measures	323

C H A P T E R

1

CONCEPTS AND PERSPECTIVES ON HUMAN RESOURCE MANAGEMENT

O U T L I N E

1. Nature of HRM
2. Scope of HRM
3. Objectives of HRM
4. Importance of HRM
5. Systems Approach to HRM
6. HRM and Competitive Advantage
7. Strategic Human Resources Management
8. Traditional HR Versus Strategic HR
9. History of Personnel/Human Resource Management (P/HRM)
10. Evolution of the Concept of HRM
11. Growth in India
12. HRM: Line and Staff Aspects
13. HRM in the New Millennium

Nature of HRM

Human Resource Management is a process of bringing people and organisations together so that the goals of each are met. It tries to secure the best from people by winning their wholehearted cooperation. In short, it may be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient manner. It has the following features:

- **Pervasive force:** HRM is pervasive in nature. It is present in all enterprises. It permeates all levels of management in an organisation.
- **Action-oriented:** HRM focuses attention on action, rather than on record-keeping, written procedures or rules. The problems of employees at work are solved through rational policies.
- **Individually oriented:** It tries to help employees develop their potential fully. It encourages them to give their best to the organisation. It motivates employees through a systematic process of recruitment, selection, training and development coupled with fair wage policies.
- **People-oriented:** HRM is all about people at work, both as individuals and groups. It tries to put people on assigned jobs in order to produce good results. The resultant gains are used to reward people and motivate them toward further improvements in productivity.

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

Scope of HRM

The scope of HRM is very wide. Research in behavioural sciences, new trends in managing knowledge workers and advances in the field of training have expanded the scope of HR function in recent years. The Indian Institute of Personnel Management has specified the scope of HRM thus:

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

Objectives of HRM

The principal objectives of HRM may be listed thus:

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

Importance of HRM

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

BOX 1: IMPORTANT TERMS: CLEARING THE FOG

- **Human resource:** Knowledge, skill sets, expertise of employees, the adaptability, commitment and loyalty of employees.
- **Skills:** The individual abilities of human beings to perform a piece of work.
- **Resource:** The stock of assets and skills that belong to a firm at a point of time.
- **Capability:** The ability of a bundle of resources to perform an activity; a way of combining sets, people and processes to transform inputs into outputs.

Contd...

- **Core competencies:** Activities that the firm performs especially well when compared to its competitors and through which the firm adds value to its goods and services over a long period of time.
- **Competitive advantage:** It comes from a firm's ability to perform activities more distinctively and more effectively than rivals. To attain competitive advantage, firms need to add value to customers and offer a product or service that cannot be easily imitated or copied by rivals (Uniqueness).
- **Value:** Sum total of benefits received and costs paid by the customer in a given situation.

Human Resource Management helps an organisation and its people to realise their respective goals thus:

i. **At the enterprise level:**

- Good human resource practices can help in attracting and retaining the best people in the organisation. Planning alerts the company to the types of people it will need in the short, medium and long run.
- It helps in training people for challenging roles, developing right attitudes towards the job and the company, promoting team spirit among employees and developing loyalty and commitment through appropriate reward schemes.

ii. **At the individual level:** Effective management of human resources helps employees thus:

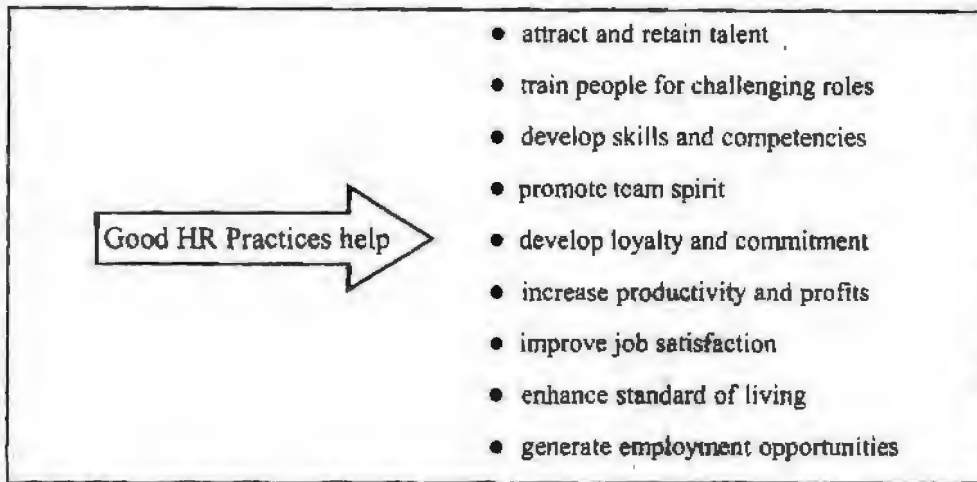
- It promotes teamwork and team spirit among employees.
- It offers excellent growth opportunities to people who have the potential to rise.
- It allows people to work with diligence and commitment.

iii. **At the society level:** Society, as a whole, is the major beneficiary of good human resource practices.

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

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

BOX 2: IMPORTANCE OF HRM



Systems Approach to HRM

A system is a set of interrelated but separate elements or parts working toward a common goal. A university, for example, is made up of students, teachers, administrative and laboratory staff who relate to one another in an orderly manner. What one group does has serious implications for others. So, they have to be communicating with each other in order to achieve the overall goal of imparting education. The enterprise operations, similarly, must be viewed in terms of interacting and interdependent elements. The enterprises procure and transform inputs such as physical, financial and human resources into outputs such as products, services and satisfactions offered to people at large. To carry out its operations, each enterprise has certain departments known as subsystems such as production subsystem, finance subsystem, marketing subsystem, HR subsystem, etc. Each subsystem consists of a number of other subsystems. For example, the HR subsystem may have parts such as procurement, training, compensation, appraisal, rewards, etc. If we were to view HR subsystem as crucial to organisational performance, an organisation presents itself thus:

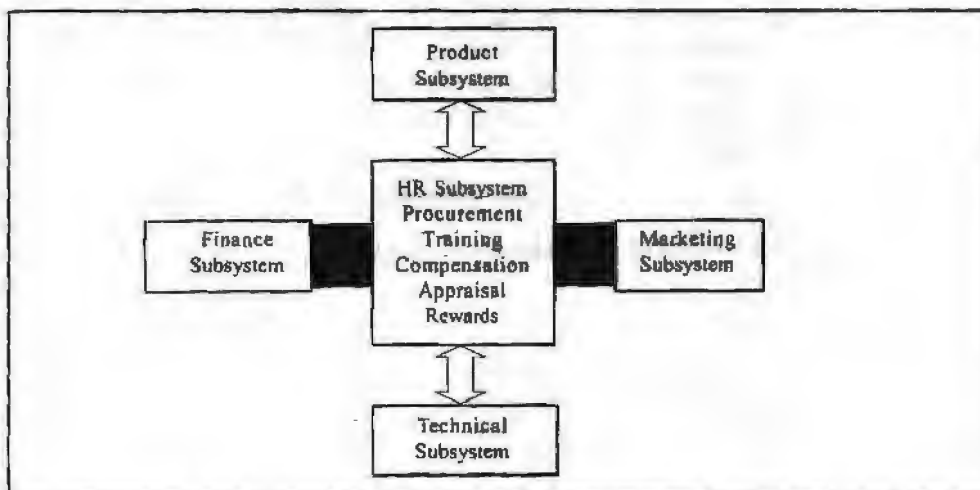


Figure 1: HRM as a Central Subsystem in an Enterprise

The various internal subsystems, it should be noted here, of an organisation operate within the framework of external environment consisting of political, social, economic and technological forces operating within and outside a nation.

HRM and Competitive Advantage

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

BOX 3: COMPETITIVE ADVANTAGE THROUGH PEOPLE?

Organisations have come to realise, over the years, that improving technology and cutting costs enhance performance only upto a point. To move beyond that point, the organisation's people are its most important resource. In the end, everything an organisation does depends on people. Low cost and high quality cars like Toyota and Saturns are not just a product of sophisticated automated machines. Instead, they are the result of committed employees all working hard to produce the best cars that they can at the lowest possible cost (Dessler). To get the best out of people, the organisation must offer a healthy work climate where they can use their knowledge, skills and abilities fully while realising organisational goals. This is where HR managers play a crucial role – that of bridging gaps between employee expectations and organisational requirements by adopting appropriate HR policies, strategies and practices. HRM, it is generally felt now, would often competitive advantage if:

- HR policies are jointly developed and implemented by HR and operating managers.
- HR puts focus on quality, customer service, employee involvement, teamwork and productivity.
- HRM strategies and practices are in tune with employee expectations, customer needs and changing competitive requirements. To be effective, HR strategies must fit with overall organisational strategies, the environment in which the firm is operating, unique organisational characteristics and organisational capabilities. (G. Mejjia et al.)

Strategic Human Resources Management

SHRM is the pattern of planned human resource developments and activities intended to enable an organisation to achieve its goals (Wright and McMahan). This means

accepting the HR function as a strategic partner in both the formulation of the company's strategic, as well as in the implementation of those activities through HR activities. While formulating the strategic plan HR management can play a vital role, especially in identifying and analysing external threats and opportunities. (Environmental scanning) that may be crucial to the company's success. HR management can also offer competitive intelligence (like new incentive plans being used by competitors, data regarding customer complaints etc.) that may be helpful while giving shape to strategic plans. HR function can also throw light on company's internal strengths and weaknesses. For example, IBM's decision to buy Lotus was probably prompted in part by IBM's conclusion that its own human resources were inadequate for the firm to reposition itself as an industry leader in networking systems (Dessler). Some firms even develop their strategies based on their own HR-based competitive advantage. Software Majors, Wipro, TCS have not slowed down their recruitment efforts during the lean periods, pinning hopes on their own exceptionally talented employee teams. In fact they have built their strategic and operating plans around outsourcing sourcing contracts from US, Europe, Japan and Germany—which would help them exploit the capabilities of their employees fully.

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

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

Traditional HR Versus Strategic HR

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



Figure 2: The Evolving Strategic Role of Human Resource Management

Strategic HR shifts attention, as against the traditional HR's focus on employee relations, to partnerships with internal and external groups. The focus on managing people is more systemic with an understanding of the myriad factors that impact employees and the organisation and how to manage multiple relationships to ensure satisfaction at all levels of the organisation. Strategic HR is transformational in nature, in that it helps the people and the organisation to adopt, learn and act quickly. "It will make sure that change initiatives that are focused on creating high performance teams, reducing cycle time for innovation, or implementing new technology are defined, developed and delivered in a timely way" (ULRICH, 1998). Strategic HR is proactive and considers various time frames in a flexible manner. Likewise, it permits employees to process work and carry out job responsibilities in a free-flowing way. Rather than being enveloped by tight controls and excessive regulations, operations are controlled by whatever is necessary to succeed, and control systems are modified as needed to meet changing conditions. Job design is organic, specialisation is replaced by cross training and independent tasks are replaced by teams, encouraging autonomy at various levels. Above all, strategic HR believes that the organisation's key assets are its people. It realises that an organisation can have competitive edge over its rivals if it is able to attract and retain knowledge workers who can optimally utilise and manage the organisation's critical resources. In the final analysis, people are the organisation's only sustainable competitive advantage [Pfeffer, 1994]. While running the show, strategic HR, of course, argues that any individual in an organisation who has responsibility for people is an HR manager, regardless of the technical area in which he or she works. (see Table 1) Strategic HR offers three critical outcomes: increased performance, enhanced customer and employee satisfaction and increased shareholder value. These outcomes are accomplished through effective management of staffing, retention and turnover processes, selection of employees that fit with both the organisational strategy and culture, cost-effective utilisation of employees through investment in identified human capital with the potential for higher return; integrated HR programmes and policies that clearly follow from corporate strategy; facilitation of change and adaptation through a flexible, more dynamic organisation; and tighter focus on customer needs, emerging markets and quality. (See Figure 3)

History of Personnel/Human Resource Management (P/HRM)

The field of P/HRM as it currently exists, represents a crystallisation of a variety of historical and contemporary factors:

1. **The industrial revolution:** During this period machines were brought in; technology made rapid progress; jobs were more fragmented where the worker did only a small portion of the total job; and specialisation increased speed and

efficiency but left workers with dull, boring and monotonous jobs. Workers were treated like 'glorified machine tools'. Employers were keen to meet production targets rather than satisfy workers' demands. Government did very little to protect the interests of workers.

Table 1: Traditional HR versus Strategic HR

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

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

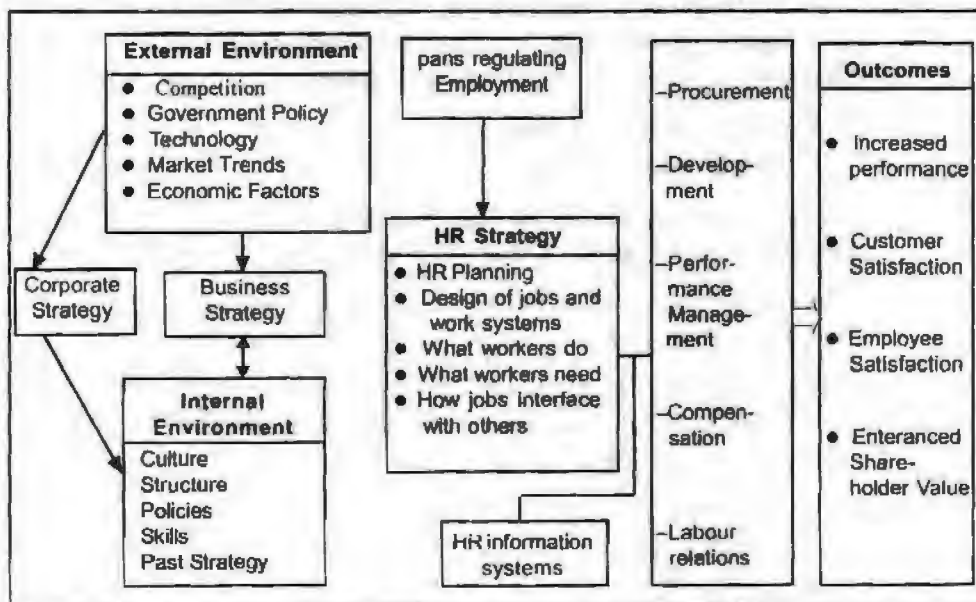


Figure 3: A Model of Strategic Human Resources Management (adopted from Mello)

3. **Trade unionism:** Workers joined hands to protect against the exploitative tendencies of employers and the prohibitive, unfair labour practices through unions. Unions tried to improve the lot of workers through collective bargaining, resolving the grievances of workers relating to working conditions, pay and benefits, disciplinary actions, etc.
4. **Human relations movement:** The famous Hawthorne experiments conducted by Elton Mayo and his Harvard colleagues during 1930s and 1940s demonstrated that employee productivity was affected not only by the way the job was designed and the manner in which employees were rewarded economically, but by certain social and psychological factors as well. The human relations movement led to the wide scale implementation of behavioural science techniques in industry for the first time which included supervisory training programmes, emphasising support and concern for workers, programmes to strengthen the bonds between labour and management and counselling programmes whereby employees were encouraged to discuss both work and personal problems with trained counsellors. The movement was also influenced by the growing strength of unions during the late 1930s and 1940s. The rise of unionism during this period was due to the passage of the Wagner Act which gave workers the legal right to bargain collectively with employers over matters concerning, wages, job security, benefits and many other conditions of work.
5. **Human resources approach:** However, during early 60s the 'pet milk theory', (advocating that happy workers are productive workers or happy cows give more milk) of human relationists had been largely rejected. Recognising the fact that workers are unique in their own way – having individual needs. It was recognised that each employee is a unique and highly complex individual with different wants, needs and values. What motivates one employee may not motivate another and being happy or feeling good may have little or no impact on the productivity of certain employees. Slowly but steadily, the trend towards treating employees as resources or assets emerged.

“The Human Resource Approach assumes that the job or the task itself is the primary source of satisfaction and motivation to employees . . . The emphasis in the human resource approach is on individual involvement in the decisions made in the organisation”. In addition, this approach emphasises the following things:

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

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

Evolution of the Concept of HRM

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

Table 2: Evolution of the Personnel Function

Concept	What is it all about?
The Commodity concept	Labour was regarded as a commodity to be bought and sold. Wages were based on demand and supply. Government did very little to protect workers.
The Factor of Production concept	Labour is like any other factor of production, viz, money, materials, land, etc. Workers are like machine tools.
The Goodwill concept	Welfare measures like safety, first aid, lunch room, rest room will have a positive impact on workers' productivity.
The Paternalistic concept/ Paternalism	Management must assume a fatherly and protective attitude towards employees. Paternalism does not mean merely providing benefits but it means satisfying various needs of the employees as parents meet the requirements of the children.
The Humanitarian concept	To improve productivity, physical, social and psychological needs of workers must be met. As Mayo and others stated, money is less a factor in determining output, than group standards, group incentives and security. The organisation is a social system that has both economic and social dimensions.
The Human Resource concept	Employees are the most valuable assets of an organisation. There should be a conscious effort to realise organisational goals by satisfying needs and aspirations of employees.
The Emerging concept	Employees should be accepted as partners in the progress of a company. They should have a feeling that the organisation is their own. To this end, managers must offer better quality of working life and offer opportunities to people to exploit their potential fully. The focus should be on Human Resource Development.

Growth in India

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

Legal phase: The early roots of HRM in India could be traced back to the period after 1920. The Royal commission on labour in 1931 suggested the appointment of labour officer to protect workers' interests and act as a spokesperson of labour. After Independence, The Factories Act 1948, made it obligatory for factories employing 500 or more workers.

Table 3: Responsibilities of the Welfare Officer

The model rules framed under the Factories Act, 1948, which was the pioneering legislation to provide for the appointment of Welfare Officers, had laid down a chart of responsibilities for them. These responsibilities are:

1. Supervision of
 - (a) Safety, health and welfare programmes; such as housing, recreation, sanitation services as provided under law or otherwise.
 - (b) Working of joint committees,
 - (c) Grant of leave with wages as provided and
 - (d) Redressal of workers' grievances
2. Counselling workers in
 - (a) personal and family problems,
 - (b) adjusting to the work environment and
 - (c) understanding rights and privileges
3. Advising the management in
 - (a) formulating labour and welfare policies,
 - (b) apprenticeship-training programmes,
 - (c) meeting the statutory obligation to workers,
 - (d) developing fringe benefits and
 - (e) workers' education and the use of communication media.
4. Liaison
 - (a) with workers so as to
 - (i) understand various limitations under which they work,
 - (ii) appreciate the need for harmonious industrial relations in the plant,
 - (iii) interpret company policies to workers and
 - (iv) persuade them to come to a settlement in case of a dispute.
 - (b) with the management so as to

- (i) appreciate the workers' viewpoints in various matters in the plant,
 - (ii) intervene on behalf of the workers in matters under consideration of the management,
 - (iii) help different departmental heads to meet their obligations under the Act,
 - (iv) maintain harmonious industrial relations in the plant and
 - (v) suggest measures for promoting the general well-being of workers.
- (c) with workers and the management so as to
- (i) maintain harmonious industrial relations in the plant,
 - (ii) have the way for prompt redressal of grievances and the quick settlement of disputes and
 - (iii) improve the productive efficiency of the enterprise.
- (d) with outside agencies, such as
- (i) factory inspectors, medical officers and other inspectors for securing the people by enforcement of various acts as applicable to the plant and
 - (ii) other agencies in the community, with a view to helping workers to make use of community services.

"In view of legal compulsions and the enumeration of duties the entire approach of organisations toward their personnel was to comply with the laws and keep the welfare officers busy with routine functions" Meanwhile two professional bodies, viz., the Indian Institute of Personnel Management (IIPM) Kolkatta and the National Institute of Labour Management (NILM) Mumbai have come into existence in 1950s.

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

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

The following tables capture the picture more accurately:

Table 4: Personnel Function: Changing Scenario

Period	Emphasis	Status	Roles
1920 - 30	Welfare management Paternalistic practices	Clerical	<ul style="list-style-type: none"> ● Welfare administrator ● Policeman
1940 - 60	Expanding the role to cover Labour, Welfare, Industrial Relations and Personnel Administration	Administrative	<ul style="list-style-type: none"> ● Appraiser ● Advisor ● Mediator ● Legal advisor ● Fire fighting
1970 - 80	Efficiency, effectiveness dimensions added	Developmental	<ul style="list-style-type: none"> ● Change agent ● Integrator

Contd...

1990s – onwards	Emphasis on human values, aspirations, dignity, usefulness	Proactive, growth-oriented	<ul style="list-style-type: none"> ● Trainer ● Educator
	Incremental productivity gains through human assets		<ul style="list-style-type: none"> ● Developer ● Counsellor ● Coach ● Mentor ● Problem-solver

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

Table 5: Shifts in HR Management in India

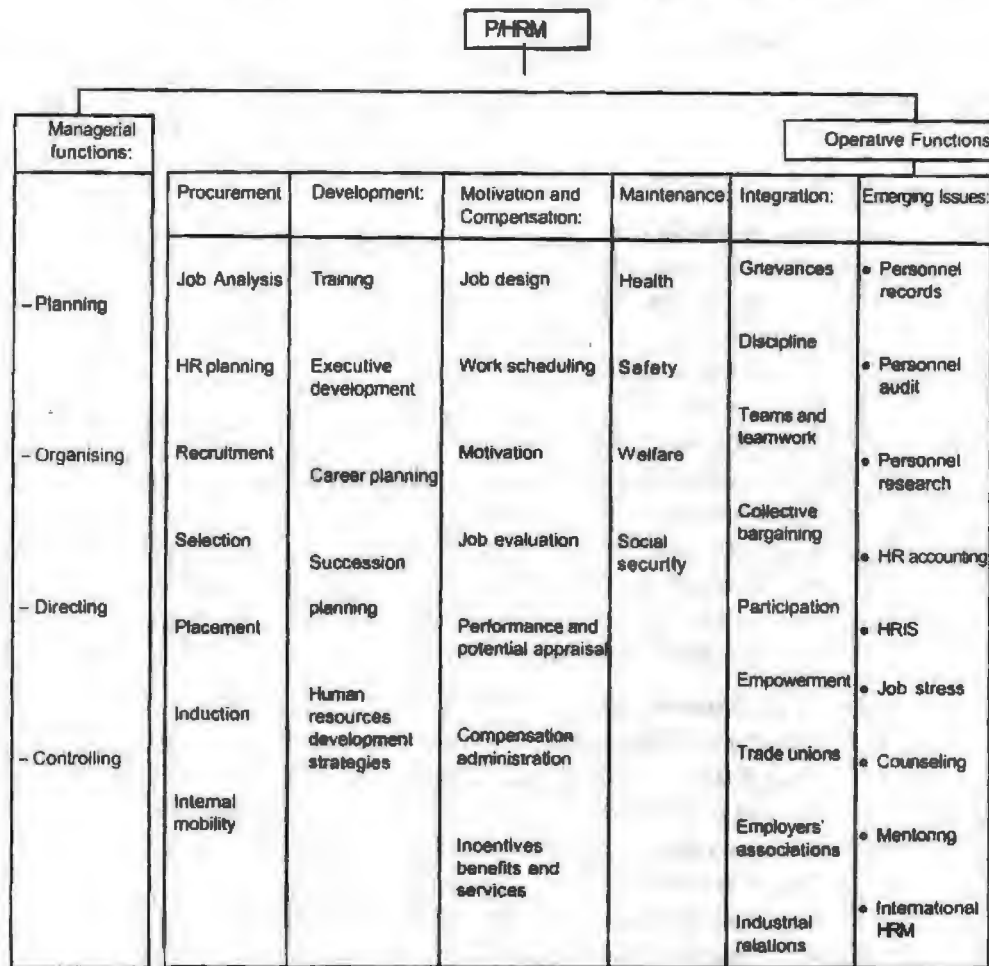
Traditional HR practice	Emerging HR practice
<ul style="list-style-type: none"> ● Administrative role ● Reactive ● Separate, isolated from company mission ● Production focus ● Functional organisation ● Individuals encouraged, singled out for praise, rewards ● People as expenses 	<ul style="list-style-type: none"> ● Strategic role ● Proactive ● Key part of organisational mission ● Service focus ● Process-based organisation ● Cross-functional teams, teamwork most important ● People as key investments/assets

HRM: Line and Staff Aspects

In a sense, all managers are HR managers as they all get involved in activities like selecting, training, compensating employees. Yet most firms, now a days, have the HR department headed by a person with requisite qualifications in behavioural sciences. How do the duties of this HR manager relate to the line managers' HR duties would be an interesting question to answer. Line managers have the final responsibility for achieving the organisation's goals. They also have the authority to direct the work of subordinates. Staff managers usually help and advise line managers in achieving organisational goals. HR managers are staff experts. They assist line managers in areas like recruiting, selecting, training and compensating. (Discussed elaborately in chapter 2). Managing people, in a broader context, is every manager's business and successful organisations generally combine the experience of line managers with the experience of HR specialists while utilising the talents of employees to their greatest potential. HR managers have to win the hearts of employees working alongside line managers and deliver results in a cost-effective manner. HR managers as indicated earlier are assuming a greater role in top management planning and decision-making—a trend that indicates the growing realisation among executives that HRM can make significant contributions to the success of an organisation.

The functions of human resource management may broadly be classified into two categories, i.e., managerial functions and operating functions (see chapter 2)

Chart 1: Functions of P/HRM (See Chapter 2 for explanation)



HRM in the New Millennium

Traditionally, the personnel function centred around control and direction of employees for achievement of pre-determined goals. The Human Resources Approach, in direct contrast to this, recognises the worth of human being in the realisation of corporate goals. It takes a supportive and developmental route to achieve results through the cooperative efforts of employees. When opportunities for growth and enhancement of skills are available, people will be stimulated to give their best, leading to greater job satisfaction and organisational effectiveness. The manager's role, too, has undergone a dramatic change over the years. From control and direction of employees, he is expected to move toward clarifying goals and paths and creating a supportive and growth-oriented environment, where people are willing to take up assigned roles willingly and enthusiastically. The effective use of people is the most critical factor in the successful accomplishment of corporate goals. To be effective, therefore, Human Resource managers need to understand the needs, aspirations, concerns of employees proactively, face the challenges head-on and resolve issues amicably. They are expected to successfully evolve an appropriate corporate culture, take a strategic approach to the acquisition, motivation and development of human resources and introduce programmes that reflect and support the core values of the organisation and its people. This is easier said than done in view of constant changes in environment characterised by the following things:

Future of HRM: Influencing Factors

1. **Size of workforce:** Corporates have grown in size considerably in recent years, thanks to global competition in almost all fields. The size of the workforce, consequently, has increased, throwing up additional challenges before HR managers in the form of additional demands for better pay, benefits and working conditions from various sections of the workforce constantly.
2. **Composition of workforce:** The workforce composition is also changing over the years. The rising percentage of women and minorities in the workforce is going to alter workplace equations dramatically. Demands for equal pay for equal work, putting an end to gender inequality and bias in certain occupations, the breaking down of glass ceiling have already been met. Constitutional protection ensured to minorities has also been met to a large extent by HR managers in public sector units. The new equations may compel HR managers to pay more attention to protecting the rights of the other sex and ensure statutory protection and concessions to minorities and disadvantaged sections of society. The shifting character of workforce in terms of age, sex, religion, region, caste etc. is going to put pressures on HR managers trying to integrate the efforts of people from various places. Managing heterogeneous and culturally diverse groups is going to stretch the talents of HR managers fully.
3. **Employee expectations:** "Instead of attempting to force employees to conform to a 'corporate mould' future managers may well have to make more allowances for individual differences in people". (Mathis and Jackson p. 616). Nowadays workers are better educated, more demanding and are ready to voice strong, violent and joint protests in case their expectations are not met. The list of financial and non-financial demands is ever-growing and expanding. In fast-changing industries such as software, telecom, entertainment and pharmaceuticals the turnover ratios are rising fast and if HR managers do not respond positively to employee expectations, the acquisition and development costs of recruits is going to mount up steadily. An efficient organisation is, therefore required to anticipate and manage turnover through human resource planning, training schemes followed by appropriate compensation packages.
4. **Changes in technology:** Increased automation, modernisation and computerisation have changed the way the traditional jobs are handled. In such a scenario unless employees update their knowledge and skills constantly, they cannot survive and grow. This will necessitate training, retraining and mid-career training of operatives and executives at various levels. Where such initiatives are missing, it becomes very difficult for employees to face the forces of technology with confidence and get ahead in their careers steadily.

Summary

- People have always been central to organisations but their strategic importance is increasing in today's knowledge-based industries. When properly motivated, even ordinary people can deliver extraordinary results.
- HRM is responsible for the people dimension of the organisation. It is a pervasive force, action-oriented, individually-oriented, development-oriented, future-focused, and integrative in nature and is a comprehensive function.
- HRM mainly covers three broad areas: personnel aspect, welfare aspect, and industrial relations aspect.

- HRM aims at achieving organisational goals meet the expectations of employees; develop the knowledge, skills and abilities of employees, improve the quality of working life and manage human resources in an ethical and socially responsible manner.
- From an organisational standpoint, good HR practices help in attracting and retaining talent, train people for challenging roles, develop their skills and competencies, increase productivity and profits and enhance standard of living.
- HR can be a source of competitive advantage, when the talents of people working in the company are valuable, rare, difficult to imitate and well organised to deliver efficient and effective results.
- Strategic HRM is the linking of HRM with key goals and objectives with a view to improve business performance and develop organisational cultures that foster innovation and flexibility.
- Strategic HR differs radically from traditional HR in a number of ways.
- The field of HRM evolved both in India and elsewhere, over a number of years to its present level of sophistication and use of proactive methods.
- The effective use of people is the critical factor in the successful accomplishment of corporate goals. To this end HR managers need to understand the needs, aspirations of employees proactively, face the challenges head on and resolve issues amicably in the years ahead.

Terminology

- **Management:** The process of efficiently achieving the objectives of the organisation with and through people.
- **HRM:** A process of bringing people and organisations together so that the goals of each one is met, effectively and efficiently
- **Purpose of HRM:** HRM seeks to improve the productive contributions of people to the organisation in ways that are ethically and socially responsible
- **System:** Two or more parts working together as an organised whole with clear boundaries.
- **Productivity:** The ratio of an organisation's outputs to its inputs.
- **Reengineering:** Occurs when more than 70 per cent of the work processes are evaluated and altered.
- **Empowerment:** Allowing employees more control over what they do on the job.
- **HRD:** A planned way of developing individual employees, groups and the total organisation to achieve organisational goals, in an atmosphere of mutual trust and cooperation.
- **Job analysis:** The systematic collection, evaluation and organisation of information about jobs.
- **HR planning:** Process of identifying human resource needs and formulating plans to meet these needs.
- **Recruitment:** The process of finding and attracting capable applicants for employment.

- **Selection:** The process of matching the qualifications of applicants with job needs and choosing the most suitable one.
- **Training:** A learning process designed to achieve a relatively permanent change in an individual that will improve the ability to perform on the job
- **Employee development:** A kind of future oriented training, focusing on the individual growth of the employee.
- **Competitive advantage:** It allows a firm to gain an edge over rivals when competing. It comes from a firm's ability to perform activities more distinctively and more effectively than rivals.
- **Strategic human resources management:** The linking of HRM with strategic goals and objectives in order to improve business performance and develop organisational cultures that foster innovation and flexibility. (Dessler)

References

1. ● P. F. Drucker, "The Practice of Management", Allied, New Delhi, 1970
● F.K. Faulker, "The Expanding Role of the Personnel Function", Harvard Business Review, March, 1975.
● J. Pfeffer, "Producing Sustainable Competitive Advantage through the Effective Management of People", Academy of Management Executive, 9, 1995.
● P. Towers, "Priorities for Competitive Advantage", An IBM Study, 1992.
● P. Capellin and A. Crocker-Hefter, "Distinctive Human Resources are Firm's Core Competencies", Organisational Dynamics, 24, 1996.
2. All quotes from The Economic Times, 9, Apr 1998.
3. ● G. Dessler, "Human Resource Management", Prentice Hall, New Delhi, 2003
● J.M. Ivancevich, "Human Resources Management", Irwin McGraw Hill, New York, 2003.
● H.J. Bernardin, "Human Resource Management", Tata McGraw Hill, New Delhi, 2004.
● J.J. Sherwood, "Creating Work Cultures with Competitive Advantage" Organisational Dynamics, Winter, 1988.
● R.S. Schuler and S.E. Jackson, "Linking Competitive Strategies and Human Resource Management", Practices Academy of Management Executive, 1987.
4. ● D. Ulrich, "Human Resource Champions", Boston, Hayward Business School Press, 1997.
● J. Pfeffer, "Competitive Advantage through People", Boston, Harvard Business School Press, 1994.
● D. Ulrich, "A New Mandate for Human Resources", Harvard Business Review, Jan-Feb 1998.
● B.E Becker et al, "HR as a Source of Share Holder Value", Human Resource Management, 76.

- R.S. Schuler, "Repositioning the Human Resources Function: Transformation or Demise?" *Academy of Management Executives*, 4,1990.
- J.A. Mello, "Strategic Human Resource Management", Southwestern, Cincinnati Ohio, 2002
- Amba Rao and C. Sita, "HRM Practices in India", *Indian Journal of Industrial Relations*, 30,1994.
- 5. ● Sadri and P. Roy, "HRM for the India of Tomorrow," *Indian Journal of Industrial Relations*, 29, 1993.
- S.D. Punekar, "The Personnel Manager in India", *Industrial Relations*, March - April 1973.
- 6. ● B.K., "HRM Strategies for Competitive Advantage", *Personnel Today*, 1992-93.
- R.M. Judy and C.D. Amico, "Workforce 2020: Work and Workers in the 21st Century", IHI, 1997.
- S.C. Schoonover, "HR Competencies for the year 2000", Alexandria, SHRM Foundation, 1998.
- D. Ulrich, "A New Mandate for Human Resources", *Harvard Business Review*, Jan-Feb 1998.
- P. Cappelli, "Rethinking the Nature of Work", *Compensation and Benefits Review*, July-August 1997.
- Gomez-Mejia, etal., "Managing Human Resources", Prentice Hall, New Delhi, 2003
- R. Winttermantd and K. Matitimare, "In the Changing World of Human Resources", *Human Resource Management*, 36,1997.
- R.S. Schuler, "Repositioning the HRM Function", *Academy of Management Executive*, 4, 1990.

Review Questions

1. Define "HRM". Outline its objectives
2. Why has the HRM function increased in stature and influence in many organisations?
3. Define HRM and outline its features clearly.
4. What do you mean by the "Systems approach to HRM"? What are the important subsystems of HRM?
5. Give examples of how HR concepts and techniques can be of use to all managers.
6. Why is it important for a company to make its human resources into a competitive advantage? How can HR professionals contribute to doing so?
7. What are the important stages in the growth of personnel management in India?
8. Explain the factors inhibiting the growth of personnel management in India. Suggest measures to improve the situation.
9. Why is it correct to say that all managers are involved in the HRM function?

10. Describe the characteristics of the new role of the HR executive-that of strategic partner' with top management.
11. In what ways can effective HR contribute to profits?
12. "The challenge and the role of HR Department being what it is, it is strange that its status is not recognised and respected" comment.
13. Describe HR's role as a strategic partner in formulating and in-executive strategy.
14. Critically examine the evolution and present state of human resource management in India.

Discussion Questions

1. What skills and competencies do HR professionals need to add more value to the HR function? How might these competencies and skills change in the future? How can HR professionals ensure that they are creating value for their organisations?
2. Why is a competitive advantage based on heavy investment in human resources more sustainable than investment in other types of assets?
3. Are people always an organisations most valuable assets? Why or why not?
4. Do pressures on cost containment work against effective management of people? Why or why not?
5. To be a strategic business contributor, HR managers must enhance organisational performance, expand human capital, and be cost-effective. Discuss how HR professionals must balance the competing demands made on them.
6. How do you think the internet will change the way in which HR processes, such as hiring, compensating, evaluating, and benefits are performed?

HUMAN RESOURCE MANAGEMENT IN CHANGING ENVIRONMENT

O U T L I N E

1. Introduction
2. Technological Changes
3. Total Quality Management (TQM)
4. Traditional and Total Quality HRM Approaches
5. Reengineering
6. HR's Role in Reengineering Processes
7. Flexible Manufacturing Systems
8. Economic Challenges
9. Workforce Diversity
10. Diversity Issues in India
11. Internal Environment
12. Managing Diversity

Introduction

There are a number of critical trends affecting the employment relationship that further affect how organisations need to manage their employees. Some of these trends pertain to changes taking place in the external environment of the organisation; others pertain to some of the ways organisations are responding internally to such trends. The term 'environment of business' refers to the aggregate of conditions, events and influences that surround and affect it.

Table 6: External and Internal Factors influencing the Personnel Function

External factors	Internal factors
• Technological factors	• Mission
• Economic challenges	• Policies
• Political factors	• Organisational culture
• Social factors	• Organisation structure
• Local and Governmental issues	• HR systems
• Unions	
• Employers' demands	
• Workforce diversity	

The external environment consists of those factors (Table 6) which affect an organisation's human resources from outside the organisation. Each of these external factors separately or in combination can influence the HR function of any organisation.

The job of a HR manager is to balance the demands and expectations of the external groups with the internal requirements and achieve the assigned goals in an efficient and effective manner. Likewise, the internal environment also affects the job of a HR manager. The functional areas, structural changes, specific cultural issues peculiar to a unit, HR systems, corporate policies and a lot of other factors influence the way the HR function is carried out. The HR manager has to work closely with these constituent parts, understand the internal dynamics properly and devise ways and means to survive and progress. In addition to these, the personnel man has to grapple with the problem of workforce diversity. Let us examine these issues in detail.

Technological Changes

An organisation's technology is the process by which inputs from an organisation's environment are transformed into outputs. Technology includes tools, machinery, equipment, work procedures, and employee knowledge and skills. In the present competitive world, technological breakthroughs can dramatically influence an organisation's service markets, suppliers, distributors, competitors, customers, manufacturing processes, marketing practices and competitive position. Technological advances can open up new markets, result in a proliferation of new and improved products, change the relative cost position in an industry and render existing products and services obsolete. Technological advancements can create new competitive advantages that are more powerful than existing ones. Recent technological advances, as we all know, in computers, lasers, robots, satellite networks, fibre optics, biometrics, cloning and other related areas have paved the way for significant operational improvements.

Impact of Technology on HRM

- i. ***New skills required:*** As new technologies are developed and implemented, there is an urgent need to upgrade existing employee skills and knowledge-if the organisation wants to survive and flourish in a competitive world. Additionally, there will be growing demand for workers with more sophisticated training and skills especially in emerging 'hot' sectors like telecommunications, hospitality, retailing, banking, insurance, biotechnology and financial services. For example, service sector employees require different skills than those utilised in manufacturing. They need strong interpersonal and communication skills as well as the ability to handle customer complaints in a flexible way.

Box 4: Impact of Technology

The impact of new technology on the total number of jobs available has been quite devastating. It has placed power in the hands of a small group of elite people in most large scale organisations. This has taken place because of deskilling of most jobs, where a few individuals tend to control the organisations through the increased availability of information. Lower and middle level positions are the worst hit in this scenario, because computers do the compilation and processing of information now. Work roles have also become more integrated. New technologies generally compel people to learn a new set of skills altogether and also learn to work together in project teams time and again.

- ii. ***Downsizing:*** New Technologies have decimated many lower-end jobs with frustrating regularity. Increased automation has reduced employee head counts everywhere. The pressure to remain cost-effective has also compelled many a firm to go lean, cutting down extra fat at each managerial level. The wave of merger and acquisition activity, in recent times, has often left the new, combined companies to downsize operations ruthlessly. The positions that have been filled

up with workers possessing superior technical skills and knowledge has also tilted the power base (in many emerging industries) from management to technical workers. It is not uncommon today for managers to have limited understanding of the technical aspects of their subordinates' work. Managing the expectations of knowledge workers is going to be a major area of concern for all HR managers in the years ahead.

Box 5: Managing a Human Resource Surplus

Why?	Consequences?	Managing Survivors of downsizing
<ul style="list-style-type: none"> ● Automation ● Restructuring ● Mergers ● Acquisitions ● Competitive Pressures 	<ul style="list-style-type: none"> ● Cuts payroll expenses ● Eliminates extra layers ● Improves functioning if firm's product and service profile is good ● Shocks those left out ● Shattering impact on employee motivation and morale if not managed properly 	<ul style="list-style-type: none"> ● Bitterness, anger, disbelief and shock need to be handled properly ● Give information as to why the action had to be taken ● Tell how it is going to help the firm and employees in the long run.

[AMA Survey 1997; A.M. Susskind, C. Hirschman]

- iii. **Collaborative work:** Technological change has resulted in hierarchical distinctions being blurred and more collaborative teamwork where managers, technicians and analysts work together on projects. Team-based incentive plans have also made it necessary for all classes of employees to work in close coordination with each other.
- iv. **Telecommuting:** The rapid advances in technology have led to the relocation of work from the office to the home. Telecommuting has become the order of the day—where employees work at home, usually with computers and use phones and the Internet to transmit letters, data and completed work to the home office. Companies have been able to increase their applicant pool through this mode and employees have also been able to live further away from cities and gain considerably due to savings in rents, transportation etc.
- v. **Internet and intranet revolution:** Internet and information technology have enabled companies to become more competitive by cutting costs. Manufacturers, banks, retailers, and you name anything have successfully harnessed computer technology to reduce their costs and deliver want satisfying goods and services to customers at an amazing speed. Even in HR, internets and intranets are being used to handle training, benefits administration, performance management and out placement functions, in recent times. The cumulative impact of new technology is so dramatic that at a broader level, organisations are changing the way they do business. Use of the internet to transact business has become so commonplace for both large and small companies that e-commerce is rapidly becoming the organisational challenge of the new millennium. Managing virtual corporations and virtual workers in this technology-driven world is going to pose tough challenges for HR managers in the years ahead.

BOX 6: ROLE OF HR IN A VIRTUAL ORGANISATION?

A virtual organisation is a network of companies or employees connected by computers. Virtual workers work from home, hotels, their cars, or wherever their work takes them. The human resource function plays a unique role in a virtual organisation:

- **Psychological fit:** The lack of face-to-face interaction in a virtual organisation, virtually compels HR professionals to determine the psychological fit between different units initially.
- **System alignment:** Given the lack of physical proximity, it becomes even more critical that the organisation's mission, vision and measures be aligned and that all parties are familiar with these issues; the HR function can play an important role in this task.
- **Reconsider rewards:** In a virtual unit, very few permanent positions exist. In many cases, the organisation will be staffed with workers having different motivational forces. So rewarding each entity in an effective way becomes an important job.
- **Reconsider staffing needs:** In a virtual organisation, most employees work on a contractual basis. Finding people with requisite skills, knowledge and motivation levels becomes an important activity.
- **Build partnerships:** Virtual teams have to be built from scratch paying attention to their unique requirements. The concept of employment needs to be replaced by the concept of 'partnership' especially when most tend to work independently away from the permanent employees or owners of the organisation.
- **Develop leaders:** Leaders become the major forces for building trust, creating a mission and instilling a sense of belonging to the organisation. HR can play a major role in ensuring that leaders assume these responsibilities and meet them in an effective way.

(A. Townsend et al, "Virtual Teams, Technology and the workplace of the future", Academy of Management Executive, August, 1998)

Technology, to cut short a long argument, is changing the face of HRM—altering the methods of collecting employment information, speeding up the processing of that data, and improving the process of internal and external communication. It is also impacting the way the jobs are being processed with a view to achieve operational efficiency. In this race to cut down costs, improve productivity levels and enhance customer satisfaction – organisations should be careful enough to introduce new technologies in a phased manner, taking employee concerns into account. Increased global competition, of course, is compelling most organisations to restructure, reengineer work processes, introduce total quality management and build flexibility into work schedules in order to remain competitive and cost-effective (in spite of the painful consequences on employees in the initial stages).

Total Quality Management (TQM)

Until a few years ago, Indian industry was roundly criticized for paying insufficient attention to the quality of goods and services. Today, things have come full circle and the quality movement is at a feverish pitch. Companies such as BPL, Wipro, Carrier Aircon, Maruti, Thermax, Bata, Philips, Titan, etc., trumpet their steadfast devotion to quality in their advertisements. Quality has become the most important word in the corporate lexicon and companies have realised the importance of investing in processes

that contribute to better quality and customer relationships. The term 'quality' refers to a sense of appreciation that something is better than something else. It means doing things right the first time, rather than making and correcting mistakes. According to Edward Deming, TQM is a way of creating an organisational culture committed to the continuous improvement of skills, teamwork, processes, product and service quality and customer satisfaction. TQM is anchored to organisational culture because successful TQM is deeply embedded in virtually every aspect of organisational life.

Deming's Advice on Achieving Quality

W E Deming was originally trained as a statistician and started teaching process control (a method of measuring variation and continuously improving work processes before the final inspection stage to prevent the production of flawed products) in Japan shortly after World War II. He is recognised internationally as an important contributor to Japanese quality improvement programmes. Deming advocates that the way to achieve product quality is to continuously improve the design of a product and the process used to manufacture it. According to Deming, top management has the primary responsibility of achieving product quality. Deming advocates that management should follow fourteen principles to achieve a high level of success in improving product quality:

- a. Create and publish to all employees a statement of objectives of the company. The management must demonstrate constantly their commitment to this statement.
- b. Learn the new philosophy, top management and everybody.
- c. Understand the purpose of inspection, for improvement of processes and reduction of cost.
- d. End the practice of awarding business on the basis of price tag alone.
- e. Improve constantly and forever the system of production and service.
- f. Institute modern methods of training.
- g. Teach and institute leadership. Focus supervision on helping people to do a better job.
- h. Drive out fear. Create trust. Create a climate for innovation.
- i. Optimise toward the aims of the company, the efforts of teams, groups and staff areas.
- j. Eliminate slogans, exhortations and targets for the workforce.
- k. Eliminate numerical quotas for production. Instead learn and institute methods for improvement. Eliminate management by objectives. Instead, learn the capabilities of processes and how to improve them.
- l. Remove barriers that rob people of pride of workmanship.
- m. Encourage education and self improvement for everyone.
- n. Take action to accomplish the transformation.

TQM: The Main Ideas

TQM is built around four main ideas: Do it right the first time, be customer-centred, make continuous improvement a way of life and build teamwork and empowerment. Let's examine these in detail:

a. ***Do it right the first time:*** Managers have been interested in the quality of their products, at least as an afterthought, since the Industrial Revolution. Thanks to the sustained efforts of quality gurus like Deming and Kaoru Ishikawa, product/service quality has become both a forethought and a driving force in effective organisations of all kinds nowadays. Today's hospitals, universities and public sector organisations are as interested in improving product/service quality as are manufacturing organisations, mines, airlines and railways. In its most basic form, the emphasis on quality has come through four distinct phases since World War II – from 'fix it in' to 'inspect in' to 'build it in' to 'design it in'. Present day managers are moving away from the first two approaches and toward the 'build it in' and 'design it in' approaches. Let's look into the differences in these approaches:

- The 'fix it in' approach to quality: Rework any defective products identified by quality inspectors at the end of the production process.
- The 'inspect it in' approach to quality: Here, quality inspectors sample work in process and prescribe machine adjustments to avoid substandard output.
- The 'build it in' approach to quality: Make everyone who touches the product responsible for spotting and correcting defects. Emphasis is on identifying and eliminating causes of quality problems.
- The 'design it in' approach to quality: Intense customer and employee involvement drives the entire design production cycle. Emphasis is on continuous improvement of personnel, processes and product.

Each stage of this evolution has broadened the responsibility for quality, literally turning quality improvement into a true team effort. Also, the focus has shifted from reactively fixing product defects to proactively working to prevent them and to satisfy the customer completely. Just having 'zero things gone wrong' is not sufficient now. The focus has shifted towards offering something of value to the customer and buy his loyalty. Today's quality leaders strive to exceed, not just meet, the customer's expectations. Putting quality first is the new slogan.

b. ***Be customer-centred:*** Organisations have to meet the expectations of both the internal and external customers. Internal customers are other members of the organisation who depend on your work to get their job done. For example, a corporate lawyer employed by Maurya hotel does not directly serve the hotel chains' customers by changing beds, serving meals or carrying luggage. But that lawyer has an internal customer when a Maurya manager needs to be defended in court. As far as external customers are concerned, TQM demands all employees who deal directly with outsiders to be customer-centred. Being customer-centred means:

- Anticipating the customer's needs;
- Listening to the customer;
- Learning how to satisfy the customer; and
- Responding appropriately to the customer.

c. ***Make continuous improvement a way of life:*** The Japanese word for continuous improvement is Kaizen, which means improving the overall system by constantly improving the little details. Kaizen practitioners look at quality as an endless journey, not a final destination. In order to improve things, they

experiment, measure, adjust continuously. Rather than naively assuming that zero defects means perfection, they try to put the finger on the problem causing trouble. There are four ways of achieving improvements:

- Improved and more consistent product and service quality.
- Faster cycle times (in cycles ranging from product development to order processing to payroll processing).
- Lower costs and less waste (for example, eliminating needless steps, scrap rework and non-value adding activities).

TQM advocates emphasise the importance of achieving greater quality, speed and flexibility at lower cost and waste. You need not sacrifice something in order to give another thing. All things are possible, provided you work with a clear-cut focus, i.e., improving things.

- d. **Build teamwork and empowerment:** TQM is built around employees, their needs, aspirations and expectations. It is employee-driven. It allows employees to exploit their full potential. Empowerment takes place when employees are properly trained, provided with all relevant information and the best possible tools, fully involved in key decisions and fairly rewarded for results. In order to carry out work effectively and efficiently, teams have to be created, drawing talent from various departments in a cooperative way.

Traditional and Total Quality HRM Approaches

HR managers can facilitate the introduction and implementation of TQM in several ways:

- i. identify uses of TQM techniques.
- ii. develop communication systems for introducing TQM, and improve quality awareness.
- iii. select and train people carefully so that they possess requisite skills for implementing TQM.
- iv. match appraisals to TQM philosophy.
- v. institute reward schemes for scaling new heights through TQM
- vi. carry out employee attitude and organisational climate surveys that highlight weak spots; point attention toward rectificational efforts.
- vii. conduct quality and ethics audits.
- viii. benchmark TQM applications with the best players in competing units and find ways to get ahead continually.
- ix. treat TQM as a systematic and continuous way of doing business.
- x. top management must adopt the principles and language of quality, follow the processes, set examples and guide others.

In the Total Quality HRM approach, all employees participate in the quality improvement processes diligently and wholeheartedly. There is always a conscious effort to find employees' requirements to design benefits and rewards. Company's employees are treated as customers. 360-degree appraisals are used before picking up best performing teams, whereby each employee is assessed by himself, his superiors and his peers as

well as his juniors. Decisions based on facts are encouraged. Importance is given to continuous improvement through 'small ideas' advanced by people working at various levels. Cooperation among all employees is encouraged. Suggestions are welcome from all quarters. Total Quality HRM is all about caring for people sincerely. "To get people to care about quality, you have to care about them."

Table 7: Quality Snaps of Indian Companies

Name of Company	Efforts toward TQM
1. Indo-Gulf Fertilizers Ltd	Upgrading technology; training people; monitoring cost, quality and delivery criteria; participative management, HRD; ISO 9002 Certification, first fertilizer company to get this in India; Shaktiman Krishi Seva Kendras in UP, Bihar and West Bengal.
2. Bharat Heavy Electricals Ltd (BHEL)	First to get ISO 9001 certification, in Dec 93; Strict metal parts quality control; 100% checking of insulators for testing their strength; strict quality assurance tests; high quality testing labs, etc.
3. TELCO (Lucknow)	SUMO model Jeeps manufactured here according highest priority to ISO 9000 certifications; training and self-inspection given top priority.
4. Philips India Ltd	Implemented TQM in 1995; first step was moving toward international quality system standards ISO 9000; total employee involvement; creation of self managing mini, micro and mega-teams; got the European Quality Award; Kaizen and suggestion schemes introduced followed by rewards and recognition system; regular surveys of employee motivation levels accompanied by customer surveys.

Source: D.D. Sharma, TQM, Sultan Chand, New Delhi, 2004.

Implications for Managers

The search for continual improvement, it should be noted here, puts organisational members in a race without a finish line. They can no longer afford to rest on laurels and glory won in the past. Complacency becomes a prohibitive word and each one is expected to move ahead, seeking constant improvements while achieving goals. They have to scale new heights year after year. Some people may like such situations where they are made to stretch themselves fully. But to a large majority, pressure-cooker-like-environments produce frustration and anxiety. A race with no finish line means a race that's never over – producing constant friction and tension. The pressures arising out of an unrelenting search for process improvements may have serious consequences for employees, if adequate care is not taken. Employee involvement programmes, therefore, have become part and parcel of TQM.

Benchmarking

Benchmarking is the first requirement to effective TQM. It is comparatively new to Indian companies. The essence of benchmarking is the striving to be the best of the best in one's area of operations (dantootsu). It is a continuous process of measuring products, services and practices against the toughest competitors or industry leaders with the aim of mutual improvement.

- Benchmarking is a continuous process. It is not a one-shot deal because industry practices change constantly. Complacency may be suicidal.

- Benchmarking implies measurement of the gap between the practices of two companies so as to uncover significant differences.
- Benchmarking can be applied to products, services, practices, processes and methods.

Thus, benchmarking is a systematic investigation, a fruitful learning experience which ensures that the best of industry practices are uncovered, analysed, adopted and implemented. Companies such as Modi Xerox, HDFC, IFB, Infosys, Indal, SRF, TELCO, Thermax, Bombay Dyeing have successfully applied competitive benchmarking to meet the rising expectations of customers in their respective areas.

The benchmarking process involves twelve steps: identifying benchmarking candidates, identifying best competitor, collecting data, finding the gap, projecting the future performance, communicating benchmark findings, establishing functional goals, developing action plans, implementing plans, recalibrating benchmarks, and integrating into processes, and attaining leadership position.

Reengineering

The primary focus of TQM is on continuous improvement or ongoing incremental change. There is a constant search for achieving things in a better way. However, many organisations operate in a dynamic environment characterised by rapid and constant change. The problem with continuous process improvements is that it may create a false sense of security. Managers may begin to think that what they are doing is positive. This may be true in a majority of cases. But where an organisation requires a drastic, quantum change in order to survive in a fiercely competitive market, managers have to search for solutions elsewhere.

Table 8: Reengineering vs Total Quality Management

Reengineering	Total Quality Management
<ul style="list-style-type: none"> ● Looks for quantum leaps in performance ● Driven by top management. When it is complete, workplace is self-managed. To complete the process, however, management has to follow autocratic methods: 'You either get on the train or we will be over you with the train.' 	<ul style="list-style-type: none"> ● Seeks incremental improvements ● Relies on bottom-up, participative decision-making in both the planning of a TQM programme and its execution.

The term 'reengineering' (referring to radical, quantum change in an organisation) comes from the historical process of taking apart an electronics product and designing a better version. Michael Hammer coined the term for organisations. When he found companies using computers simply to automate outdated processes, rather than finding fundamentally better ways of doing things, he realised the same principles could be used in business as well. Actually, reengineering takes place when more than 70 per cent of the work processes in an organisation are evaluated and altered. It demands organisational members to rethink what work should be done, how it is to be done and how best to implement these decisions. The focus is on simplifying the operations and making them more efficient and more customer-focused.

Key Elements

According to Michael Hammer and James Champy, reengineering involves a significant reassessment of what a particular organisation is all about. They urge managers to ask a very fundamental question about what they do: "If I were recreating this company today, given what I know and given current technology, what would it look like?" In

other words, managers should imagine that they are starting with a “clean piece of paper!”

Identify Distinctive Competencies

The process of reengineering comprises of three important elements: finding organisations’ distinctive competencies; assessing core processes and reorganising horizontally by-processes. Initially, the organisation has to identify its distinctive competencies. These may include superior location (Gujarat Ambuja Cement using sea routes for transporting cement, as against its rivals like ACC, India Cements), a more efficient distribution system (Bata, BPL, Godrej, etc.), a technically superior product (Gillette shaving systems, air-conditioners from Carrier Aircon, etc.) or a superior service network (Wipro Ltd in the computer industry). It is important to identify the core competencies of an organisation, because it guides decisions regarding what activities are crucial to the organisation’s success.

Assess Core Processes

It is equally important to assess the important processes that add value to organisational activities. Hammer and Champy contend that organisations can tend to stagnate when organisational members focus attention on their own immediate neighbourhoods, such as their jobs and departments, rather than on the larger patterns of relationships in which they work and influence the lives of others. Reengineering thus involves redefining processes as patterns of relationships connecting organisational members with people outside the organisation. Reengineering becomes necessary when, despite the fact that individual jobs are well-defined and well-performed, the sum effect on other people of those efforts is inefficient for the organisation and unsatisfactory for customers and clients. For example, reengineering efforts in an insurance corporation may focus attention on making its customer insurance applications’ process more effective. To this end, a new process may empower the case managers to take care of everything from the time an application is made till the policy is issued. This may save time and avoid bureaucratic delays involved in movement of files from one person to another and from one department to another within the same organisation. According to Hammer, “reengineering means radically rethinking and redesigning those processes by which we create value for customers and work”. He mentions speed, quality of service and overhead expenses as today’s important competitive issues that reengineering can address. To this end, managers must come out of the shell and say boldly: ‘This is not the way. We must do it differently’. Hammer passionately argues: “the hallmark of a really successful company is its willingness to abandon what has been successful in the past. There is no such thing as a permanently winning formula”. Just as the director of a management institute thinks about a number of activities, including admission policy, operating procedures, orientation for new students, classroom discipline, syllabi restructuring, faculty arrangements, business promotion events, placement efforts, liaison with reputed companies and recruiting agencies – manager also must think about the entire process of doing things in an organisation constantly. When the organisation is viewed as a series of processes ranging from strategic planning to after-sales customer support, management can decide to what extent each adds value. Such a search would highlight activities that have little contributory value and whose only reason for existence is “we have always done it this way!”.

Reorganise Around Horizontal Processes

Reengineering requires management to reorganise around horizontal processes. The focus must be on the process, not the function. Functional focus promotes narrow, sectional loyalties. They are not willing to experiment, because it is against the established procedures and norms. If we reorganise around horizontal processes, we have to create cross-functional, self-managed teams. It may also mean cutting out levels of middle management. However, reengineering should not be used as a ploy to simply downsize the organisation. Instead, it is a continuous review of the organisation's processes and practices to increase productivity and meet specific organisational objectives. To create value for customers, managers may have to reinvent the organisations every day. Reengineering implies that organisations are shifting patterns of relationships, not fixed entities like machines and buildings.

Table 9: Commandments of Reengineering

<ul style="list-style-type: none"> ● Give people a mission; a clear view of how to achieve that mission. ● Either serve the customer superbly or don't even try. ● Change is the way of life. It is not a process, it is a value. ● Technology is never really a problem. The problem is how to use technology effectively. ● The wrong answer rarely kills you. What it does is waste time. ● The weak link in reengineering is will. ● Once people catch on to reengineering, you can't hold them back. It's a lifetime opportunity. ● In India TELCO, TISCO, L&T, Ranbaxy and Crompton Greaves have successfully brought about radical changes through Reengineering.
--

Source: Ronald E. Crompton, CEO, Aetna Life and Casualty

HR's Role in Reengineering Processes

Reengineering, it must be remembered, would yield fruitful results only when the company tunes its HR practices in line with its radically transformed business processes. HR can contribute to reengineering processes by its effect on building commitment to reengineering, team building, changing the nature of work, and empowering jobs. HR can play a great role improving commitment of employees by hiring competent people, offering the right incentives and installing effective two-way communication practices. HR can hire people who can work in process-oriented teams sharing their skills and expertise freely. It can also offer additional training to employees so as to improve their 'team-related' skills and make them capable of handling multiple, cross-functional, enriched tasks in a competent way.

Flexible Manufacturing Systems

The term 'Flexible Manufacturing' refers to the ability of computerised machines to perform a variety of programmed functions. It is the integration of computer-aided design, engineering and manufacturing to produce low volume products at mass production costs. Here a single machine can make dozens or even hundreds of different parts in any order the management wants. When management wants to produce a new part, it need not change machines – it has to just change the computer programme.

Robots operate the computer-controlled mechanical arms that can be equipped with grippers, vacuum cups, painting guns, welding torches or other tools. They take care of tasks that require precision under hazardous conditions (spray painting, welding), handle dangerous materials (hot ingots, radioactive rods) and paint, repair, or carry out any other task under inhuman conditions without suffering any ill effects.

Here is an example of how the computer aided manufacturing works. A machine tool operator can select, and combine from a colour graphics screen, the geometric shapes that match the shape in which the metal is to be cut and provide the location and dimensions of the cut. Conventional machine tools, by contrast, require every single machine tool movement to be specially plotted. By eliminating programming steps, the system makes it easier to get a machine tool to perform new tasks.

The implications of flexible manufacturing are fairly obvious. Employees require more training and higher skills. Since there are fewer employees, each one has to be able to do a greater variety of tasks. Additionally, they are supposed to keep away from interdepartmental competition, conflict and politics and get along with other members as teammates. Cross functional teamwork is essential in factories of the future where, for example, engineers may have to design products by working hand in hand with market research and manufacturing specialists.

The impact of technology on the HR function, thus, is quite profound. Hazardous and risky jobs could be turned over to robots increasingly in the days ahead. Repetitive jobs could also be handed over to sophisticated robots. As organisations turn to computerisation and full-scale automation, the demand for people with multi-skills will grow. One negative impact of technology would be the growing worker alienation, since job opportunities may shrink along with opportunities for socialisation on the job. High-paying factory work for skilled and unskilled categories may become scarce as organisations begin to use lighter, faster, stronger and more intelligent robots in the years ahead.

Economic Challenges

Nowadays the world is shrinking in all major respects. People, goods, capital and information are moving around the globe as never before. Companies are trying to become global players just to survive; let alone prosper. Coca-cola, a leader in this respect, derives roughly 80 per cent of its profits from foreign sales. IBM, Mobil, Citicorp, Motorola, Gillette too earn more than half of their revenues from operations outside USA. International borders have been ruthlessly ignored or thoroughly discounted when it comes to serving business interests. Today's managers in big firms are quite comfortable transacting business in multiple languages and cultures. In the new global marketplace, HR managers are required to play challenging roles and create a competitive advantage for the firm. Competitive advantage refers to the ability of an organisation to formulate strategies to exploit profitable opportunities, thereby maximising its return on investment. To this end, global firms are continually reorganising their operations and refocusing their energies around their crucial areas of competence. AT&T, for example, has a global operations team of top executives to look into country-specific demands. Infosys technologies, Bharat Forge, Jubilant Oranosys, Asian Paints, Essel Propack, Micro Inks, Ranbaxy and Dr. Reddy Laboratories have created such global operations teams long back to explore overseas markets and exploit available opportunities.

They have also been sending key management members to attend global seminars, workshops, training sessions regularly. Companies like Colgate even proclaim, "We

want to build a common corporate culture. We want them all to be Colgaters” – while trying to bridge the cultural gap between domestic employees and those in international operations. Global alliances, cross-country mergers, acquisitions have become quite routine affairs now. India has become a sourcing centre for many global giants. Sundaram Fasteners in radiator caps, many software firms, bulk drug firms have successfully utilised the services of skilled labour here in order to create distinct cost advantages for their products. In a volatile environment, changes of various kinds hit the firms from all corners. Successful managers have to anticipate and adjust to such changes quickly rather than being passively swept along or caught unprepared. If firms hire people who do not like surprises, probably they are not hiring the right people. Agility pays rich dividends and HR managers have an important role in creating a favourable work climate to initiate and implement changes quickly. Falling sales and high labour costs stared at Volkswagen, Germany, in early 90s. Massive layoffs were expected. To avoid this, the company introduced 4 day work week, the labour hours per day were enhanced, the base pay was cut. This ultimately prevented laying off nearly one-third of its workforce. In 1998, Ashok Leyland also followed this policy, with active cooperation from workers and unions with a view to fight recessionary conditions and stay fit. Firms which were unable to read the signals clearly (HMT, Allwyn, Ambassador, Scooters India Ltd) and undertake rectificational steps in time have already been thrown out of gear in the market place. Overstaffing (SAIL, SBI, DTC, NTC), bloated benefit programmes, high wage bills (in most public sector firms) have become pressing issues now – thanks to increased competition in almost all fields. The need to remain ‘lean and clean’ is being increasingly felt. HR professionals have an important role to play here – whether reducing hours of work, laying off workers, making unions and workers agree for a wage cut etc. To remain competitive, most HR managers nowadays anticipate such cyclical changes in advance and initiate proactive steps that are less painful. In the long run, how effectively a company uses its human resources can have a dramatic impact on its ability to compete or survive in an increasingly competitive environment.

Table 10: What HR Managers can Do

- Use workforce skills and abilities in order to exploit environmental opportunities and neutralise threats.
- Employ innovative reward plans that recognise employee contributions and grant enhancements.
- Indulge in continuous quality improvement through TQM and HR contributions (training, development, counselling, coaching etc.).
- Utilise people with distinctive capabilities to create unsurpassed competence in an area (Xerox in photocopier, 3M in adhesives, Telco in trucks, Britannia in biscuits, Nestle in coffee, McDonald’s in fast foods, etc.).
- Decentralise operations and rely on self-managed teams to deliver goods in difficult times (Motorola is famous for short product development cycles. It has quickly commercialised ideas from its research labs).
- Lay off workers in a smooth way, explaining facts (IBM, Kodak, Xerox, AT&T, Steel and Textile firms in India etc.) to unions, workers and other affected groups. HR generally plays a key role, these days, in planning and implementing corporate downsizings, and then in maintaining the morale of the remaining employees.

Political Factors

Political stability, political parties and their ideologies, formation of new political parties (Telugu Desam Party in Andhra Pradesh, Trinamul Congress in West Bengal, Shiv

Sena in Maharashtra, Janata Dal in Bihar), splits in and amalgamation of existing parties influence the functioning of trade unions in an organisation. This in turn, leads to formation of new unions or splitting up of existing unions. Bhartiya Kamgar Sena (BKS) floated by Thakeray in 1960s, owes its popularity now in Maharashtra due to the ascendancy of Shiv Sena, in recent times. The other two unions, Shramik Sena and Maharashtra Shramik Sena also believe in 'production, productivity and discipline' and have a following of nearly 2.5 lakh workers. The changes in unions have serious implications for HR managers. Rahul Bajaj, for example, feels that BKS is very positive to suggestions from employers and conducts wage negotiations in a business like manner. In Oct 1996, after 12 years of unsuccessful negotiations with its own internal union, Bajaj Auto signed a difficult wage and productivity agreement at its Worli plant with BKS. Thanks to the awareness of workers, companies like Polychem, Otis, Philips, Mahindra and Mahindra, Premier etc. have successfully implemented a VRS scheme. In case of Shri Ram Mills, despite union pressure, the workers accepted voluntary retirement scheme (each worker got upward of Rs. 2 lakhs) and allowed the management to sell its property to Realtors.

Similarly, defying Datta Samant, workers of Premier Automobiles Ltd have accepted proposals advanced by the management. HR managers from Ingersoll Rand, Blue Star strongly feel that the days of single-skilled worker are over. There is more demand for multi-skilled workers. The new class of workers is neither gullible nor excited about trade unionism. Wage-linked productivity agreements have become common, as workers are more keen to sink or swim along with the company (Mahindra and Mahindra, for example). Pure commercial interests have come to play a dominating role now in place of political and non-economic factors in union-management relations.

Social Factors

HR managers have long realised the importance of conducting their business in a socially relevant and responsible manner. What do you do when the company operates in an area where a large army of unemployed people live? A philosophy of hiring workers who are capable of being trained as against hiring only qualified applicants may help reduce unemployment. It may also improve profitability in the long run. Is it possible for a person to buy a firm's products or services if he remains unemployed? The society at large nowadays is more demanding. The actions of business are being monitored and evaluated closely. If a manufacturer claims that his product has one hundred per cent juice content (e.g., Onjus) and the rival (Tropicana) tries to contest this issue openly, the customer is ready to evaluate the issue dispassionately and decide about the future course of action. If the expectations are not met or the tall claims do not stand the test, the fate of the firm/brand is automatically sealed (as it happened in the case of Bajaj's motor cycle, 'Cheetah', technologically-outdated Ambassador car model, etc.). Firms do not operate in isolation. They are stuck with society. Social impacts have to be carefully evaluated before undertaking any action programme. And society here includes the firms' own employees and their friends, relations, neighbours as well. Before cutting jobs in a big way (where, for example, in National Textile Corporation 40,000 jobs have been slashed voluntarily), HR managers have to assess reactions beforehand and come out with certain proactive steps (explain facts, train or retrain them, give outplacement help, etc.). Considerable pressure can be exerted on a firm to alter its practices (for example, in Steel Authority of India, SBI and other State owned Banks, DTC; the slashing of jobs did not take place in a big way) if the public believes that it is not operating in the best interests of society. A firm, after all, operates by public consent to satisfy society's needs.

Local and Governmental Factors

Governments all over the world had neither the time nor the interest to care for the problems pertaining to labour arising in industry till the end of 1940s. But the need for Governmental interference arose out of the belief that Government is the custodian of industrial and economic activities. The emergence of problems on the industrial front in the form of trade union movement, failure of many employers to deal fairly with workers, non-fulfillment of plan targets and the like, forced the governments to intervene in human resource management and to enact various pieces of labour legislation. Consequently, the Government in India, too, has come out with a complex set of rules and regulations on the employment policy of the organisations by reserving a certain number of jobs of all categories to certain sections of the community. Hence, the management cannot manage the personnel unilaterally as it used to do, because it has to abide by the rules and regulations imposed by the Government from time to time.

One of the most important external factors that affects HRM is the legal environment, i.e., awareness of legislations enacted by the government at the Centre and the States. The important legislations enacted in India affecting HRM are: Factories Act, 1948; Trade Unions Act, 1926; The Payment of Wages Act, 1936; The Minimum Wages Act, 1948; The Employment State Insurance Act, 1948; Workmen's Compensation Act, 1923; The Payment of Bonus Act, 1965; The Industrial Employment (Standing Orders) Act, 1946; The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959; Payment of Gratuity Act, 1972; The Maternity Benefit Act, 1961; The Apprentice Act, 1961, etc.

Unions

Unions have also gained strength after the advent of Industrial Revolution. At present, these organisations constitute one of the power blocs in many countries, including India. With the formation and recognition of these organisations, the issues relating to employee interests are no longer determined by the unilateral actions of management. These have to be invariably discussed with union representatives. In addition, unions have shifted their emphasis from economic tactics to the political pressures. Thus "...the unions have turned increasingly to governmental action as a means of achieving their objectives in addition to using the more traditional actions". In consequence, the scope of managerial discretion in human resource activities has been narrowed down.

Workforce Diversity

Diversity in the field of HRM can be defined as the situation that arises when employees differ from each other in terms of age, gender, ethnicity, education, etc. Workforce diversity means that organisations are becoming more heterogeneous in terms of age, gender, race, ethnicity, etc.

Composition

The composition of the workforce is changing in India. Young, skilled and knowledgeable employees are occupying positions of importance. At the same time, thanks to the opening up of the private sector, employees are no more fascinated by secure, less-paying, routine and standardised jobs offered by the public sector (barring companies like BHEL, NTPC etc.) and other government-owned and controlled organisations. Old employees have grown in number now, thanks to the improved medical and health care. Big private sector firms have been exploiting their talents to conceive, operate and develop new ventures in emerging areas such as oil, telecom, insurance, banking, health care, etc.

Table 11: Young vs Old

<ul style="list-style-type: none"> ● Inexperienced ● Impulsive ● Impatient ● Unethical/ Not always ethically conscious ● Selfish ● Manipulative. 	<ul style="list-style-type: none"> ● Difficult to bend and change ● Traditional ● Go by the rule book ● Workaholic ● Inflexible ● Prefer safe, steady work environments; less risky activities.
--	---

Organisations now cannot discriminate on the basis of age. They must listen to their experienced employees, to draw from their expertise and initiate programmes that meet these needs. McDonald's, a heavy recruiter of older workers, has developed its masters programme in which newly hired seniors work alongside experienced employees so that in a matter of four weeks they can be turned loose to work on their own. The training programme is meant to help seniors 'unlearn' old behaviours while acquiring new skills. At the same time, companies have to understand and appreciate the changing values of the young workers who join the company with a lot of expectations. The days of lifetime employment, total loyalty to company and commitment to work seem to be a thing of the past. To attract and retain young brains, organisations have to institute appropriate HR policies, supported by attractive compensation offers.

BOX 7: NOTHING SHOULD BE ACCEPTED AS A 'GIVEN'

The contexts in which human resources are managed in today's organisations are constantly changing. No longer do firms utilise one set of manufacturing processes, employ a homogeneous group of loyal employees for long periods of time or develop one set way of structuring how work is done and supervisory responsibility is assigned. Continuous changes in who organisations employ and what these employees do require HR practices and systems that are well-conceived and effectively implemented to ensure high performance and continued success.

- Automated technologies now-a-days require more technically trained employees possessing multifarious skills to repair, adjust or improve existing processes. The firms can't expect these employees (Gen X employees, possessing superior technical knowledge and skills, whose attitudes and perceptions toward work are significantly different from those of their predecessor organisations: like greater self-control, less interest in job security; no expectations of long-term employment; greater participation urge in work activities, demanding opportunities for personal growth and creativity) to stay on without attractive compensation packages and novel reward schemes.
- Technology driven companies are led by project teams, possessing diverse skills, experience and expertise. Flexible and dynamic organisational structures are needed to take care of the expectations of managers, technicians and analysts who combine their skills, expertise and experience to meet changing customer needs and competitive pressures.
- Cost cutting efforts have led to the decimation of unwanted layers in organisational hierarchy in recent times. This, in turn, has brought in the problem of managing plateaued employees whose careers seem to have been hit by the delayering process. Organisations are, therefore, made to find alternative career paths for such employees.
- Both young and old workers, these days, have values and attitudes that stress less loyalty to the company and more loyalty to oneself and one's career than those shown by employees in the past. Organisations, therefore, have to devise appropriate HR policies and strategies so as to prevent the flight of talented employees.

Diversity Issues in India

Diversity issues in Indian companies are somewhat peculiar owing to differences in social ethos, religious origins, cultural differences and regional origins. Certain sections of society enjoy a preferential treatment, guaranteed by the Constitution, right at the entry level itself, such as:

Table 12: Minority Groups/Reserved Category Employees in India

Scheduled castes and scheduled tribes (SCs & STs)
Other backward classes (OBCs)
Sons of the soil
Ex-Defence and Para-military personnel
Physically disabled
Displaced persons (DPs)
Gender issues
Contract labour
Child labour
Minority groups

The policy of statutory job reservation for SCs and STs has been extended for another ten years, starting from the year 2,000 through a government notification, in all public sector undertakings. The list of OBCs had also been expanded by the Vajpayee-led BJP government, to extend employment benefits to other neglected sections of society. The 'sons of the soil' policy ensures reservation of certain category of lower level jobs to local people in preference to outsiders. Shiv Sena, for example, is a strong supporter of this policy ever since its inception as a political party in Maharashtra. Displaced persons too get preferential treatment for lower level positions advertised by the company which has acquired their land/house sites, etc. (Essar Steel, Reliance, etc.), for building factories/production facilities. In addition, HR managers have to deal with issues of child labour (a sensitive issue in industries such as carpet making, fire crackers industry, etc.) and contract labour, where the various portions of labour legislation are being conveniently ignored by the employers.

Women at Work

Women employees today constitute a major share of the workforce. In India alone, over 400 million women are employed in various streams due to a combination of factors like:

- Women's emancipation
- Growing economic needs
- Greater equality of sexes
- Increased literacy rate
- Suitability for certain soft jobs (public relations, telephone operations, reception counters, etc.).

BOX 8: THE INVISIBLE WORKFORCE

Women hold up more than half the sky. Far from being just a vigorously uttered slogan, government studies reveal that the female workforce in India does indeed make a significant contribution to the nation's economy and family welfare. Yet, at the same time, this economic contribution is either abjectly unrecognised or where taken note of, is qualitatively unprotected. According to 1981 census, 89.5 per cent of women workers are engaged in the unorganised sector, of which a huge chunk – 82.3 per cent – actively participate in agricultural and allied operations. This massive segment of the female workforce contributes as much as 60-70 per cent to total agricultural activity in our villages.

—Business India, March 6 to 19. Special Feature.

The initial reluctance of employers to give jobs to women seems to be a thing of the past (due to increased financial burden in the form of maternity benefits, creches, prohibition of women in night shifts and in hazardous jobs, etc.). They handle both 'hard' and 'soft' jobs now in areas such as accounting, hospitality, banking, insurance, airways, police, teaching, beauty care and even driving. The principle of equal pay for equal work has more or less become the rule now in most industries (barring plantation, construction industry, etc.).

BOX 9: SIX WAYS TO CHEER UP FEMALE EMPLOYEES

- Provide alternative career paths
- Offer extended leave facilities so that they can meet their pressing commitments according to their convenience
- Allow female workers to create their own schedules and process work at home
- Create flexible work arrangements
- Permit job-sharing especially in case of relatively independent tasks such as filing, faxing, word processing, photo copying etc.

Changes in Employee Roles and their Values

Traditionally, it was believed that management has got the brains and hence will decide what is good or bad for the employees. The employees are expected to follow the commands of the boss without posing any questions. However, this paternalistic atmosphere has changed with the advent of unions. Employers have also gained consciousness regarding their rights in the workplace.

Further, the changing structure of the workforce has led to the introduction of new values in organisations.

Among these are moves towards (a) emphasis on quality of life rather than quantity; (b) equity and justice for the employees over economic efficiency; (c) pluralism and diversity over uniformity and centralism; (d) participation over authority; (e) personal convictions over dogma; and (f) the individual over the organisation. Alienation from the job, increasing counter-productive behaviour, rising expectations and changing ideals of employees are some of the other factors responsible for the changing values and roles of human force. Consequently, it has become imperative for the management to include various fringe benefits to improve morale, introduce a machinery to redress grievances, encourage employee participation in decision-making and the like to pave the way for industrial betterment and to meet the ever increasing demands of workforce.

Another change in the values of employees is the declining work ethic. In days gone by, employees regarded their jobs as their central life interest, pursuing work assignments with single-minded devotion. In recent years, however, the work ethic has declined in

favour of a more existential view of life. Work is regarded as only one alternative among many as a means for becoming a whole person in order to do one's own thing. Family activities, leisure, avocations and assignments in government and schools are all equally viable means through which a person can find meaning and become self-actualised.

Further, employees are seeking a greater balance between their work lives and their personal lives, more leisure time and greater flexibility in scheduling time away from work especially since the '80s. Feeling severely constrained by the Monday-through Friday, nine-to-five gruelling routine, they find it difficult to schedule doctors' appointments, accommodate children's school schedules and satisfy other personal needs away from work. Employees are demanding that management look more closely at work schedules which accommodate their needs in addition to the needs of the company.

Level of Education

Workers with higher levels of formal education have been entering organisations in recent years. Increased formal education led to changes in attitudes of employees. Well-educated employees always challenge and question management decisions and want a voice in those of the company's affairs that affect their interests. "As the base of education broadens, management must plan to deal with employees on a higher plane of logical interactions". One implication of an increase in educated and knowledge workers – accountants, engineers, social workers, nurses, computer experts, teachers, researchers, managers – is that HRM will be called upon to find innovative ways of keeping these people challenged and satisfied. Knowledge workers often demand more responsibility and autonomy than their employers are willing or able to afford.

Table 13: Values of Employees

What are Americans Like?	What are Indians like? (Fill it yourself)
1. Americans are very informal.	1. -----
2. They are direct. They don't talk around things.	2. -----
3. They are competitive, assertive and even overbearing.	3. -----
4. They are achievers. They value achievements and like to keep score.	4. -----
5. They are independent. They have freedom and uniqueness. They believe that individuals can shape and control their own destinies.	5. -----
6. They have an inquisitive mind. They ask a lot of questions sometimes pointless ones, also. The purpose of education, according to them is to think, to analyse and to learn.	6. -----
7. They dislike silence and like to draw others into conversation.	7. -----
8. They value punctuality. They are sticklers for schedules and promptness.	8. -----
9. They value cleanliness (observed with bathing, eliminating body odours, wearing clean dress, etc.).	9. -----
10. They hold ethnocentric values (they believe that their cultural values and customs are superior to all others).	10. -----
11. Americans suffer from parochialism (i.e., view the world through their own eyes and perspective). They do not recognise that other people have different ways of living and working.	11. -----

Source: (i) N.J Adler, International Dimensions of Organisational Behaviour, Kent, Boston, 1981.
(ii) T-Cox, Cultural Diversity In Organisations, Berret Kochler San Francisco, 1993.

Internal Environment

The internal environment also exerts considerable pressure on human resource management. The internal environment comprises those factors that affect an organisation's human resources from inside the organisation's boundaries. The primary internal factors include the firm's mission, company policies and corporate culture. These factors have a major impact in determining the interaction between human resource management and other departments within the organisation.

Mission and Strategy

The mission is the very reason and justification for the existence of a firm. Mission is usually expressed in terms of the benefits the firm provides to its customers. An organisation's mission statement tells what it is, why it exists and the unique contribution it can make. For example, observe the mission statement of ONGC, "To stimulate, continue and accelerate efforts to develop and maximise the contribution of the energy sector to the economy of the country".

At various levels, people must carry out assigned tasks keeping the overall mission of the firm in mind. Now consider two companies: Company A wants to achieve leadership position through technological superiority, new products and processes. On the other hand, Company B does not believe in taking in big risks and prefers steady growth. Company A needs a creative environment where ideas are encouraged. Highly skilled employees need to be picked up to achieve technology-led growth. Constant focus on training and development of workforce is needed. A compensation package designed to attract, motivate and retain the most productive employees is equally important. In Company B, the strategies have to be different, in line with its philosophy. Creative people may not like to work in Company B, because the mission statement puts little emphasis on risk-taking.

Policies

Policies offer guidance for thinking. Policies tell people what they may or may not do. They direct the manner in which activities are to be achieved. Objectives show the destination and policies offer the route. In statements like "we sell only for cash", "customer is always right", some aspects of a recurring problem are isolated and a broad guide is established for dealing with them quickly. Policies offer standing answers to recurring questions and specify the steps to be taken in making a decision. Most policies in large organisations relate to management of human resources only. Some of the important policies that influence the work of a HR manager are listed below:

1. To provide employees with a place of work that is as safe as possible.
2. To encourage all employees to achieve as much of their human potential as possible.
3. To provide compensation that will encourage a high level of performance in the form of increased quality and quantity of production.
4. To ensure that present organisational members are considered first for any vacant position.

This last policy is often referred to as a 'promotion from within' policy. This type of guideline aids managers when they are faced with promotion decisions. Since policies have a degree of flexibility, however, the manager is not necessarily required to promote an employee currently with the firm. The supervisor may determine, for example, that no one in the firm is qualified and choose to look outside the firm for a replacement.

Organisational Culture

Organisational culture is the product of all the organisation's features: its people, objectives, size, technology, unions, policies, its successes and its failures. It is the sum total of shared values, beliefs and habits within an organisation: in short, the organisation's personality.

BOX 10: ELEMENTS OF STRONG CORPORATE CULTURES

A widely shared philosophy. This philosophy is not an abstract notion of the future but a real understanding of what the firm stands for, often embodied in slogans.

A concern for individuals. This concern often places individual concerns over rules, policies, procedures and adherence to job duties.

A recognition of heroes. Heroes are individuals whose actions illustrate the shared philosophy and concerns of the company.

A belief in ritual and ceremony. Management understands that rituals and ceremonies are real and important to members and to building a common identity.

A well-understood sense of the informal rules and expectations. Employees understand what is expected of them.

A belief that what employees do is important to others. Networking, to share information and ideas, is encouraged.

Source: Developed from Terrence Deal and Allan Kennedy. *Corporate Cultures: The Rites and Rituals of Corporate Life* (Reading, Mass : Addison - Wesley, 1982).

The challenge for HR professionals is to adjust positively to the culture of the organisation. They have to choose paths that best reflect the culture of the firm and the attitudes of its people. What to do when workers start violating the company norms such as smoking when they are not supposed to smoke? Should it be dismissed as a minor violation and bear with such offences in future too – or should the rights of non-smokers be given importance? How to strike a balance between maximising shareholders' returns and workers' concern for job security, especially during a merger or acquisition? A closed and threatening culture goes against the larger interests of employees. Decisions are made at the top; there tends to be a lack of trust and confidence in subordinates, secrecy pervades executive actions, workers are tightly controlled. In organisations where there is an open culture, most decisions are taken at lower levels, subordinates are trusted, two-way communication is encouraged, teams are created to solve problems. Understanding the type of culture that prevails within a firm is important in order to formulate appropriate HR policies and strategies.

Table 14: Designing Appropriate HR Systems

Issue	Focus on
● Nature of employment	: Job/Career
● Recruitment	: Internal/external/both
● Selection	: Merit/other considerations
● Training and employee development actions	: 6 months/yearly Regular/irregular/need-based
● Degree of participation	: Top down/bottom up
● Incentives	: Individual merit/group output
● Job security	: Lifelong employment/need-based jobs
● Employee welfare	: Be a model employer (offer those that are needed by law.)

Organisation Structure

Organisations consist of people who are united by a common purpose. To meet the objectives, a structure is created, maintained and used. Structure here is used to refer to the network of relationships among individuals and positions in an organisation. To carry out tasks, managers follow certain steps:

- i. Identify the work, delegate it to various people.
- ii. Establish relationships between people and positions.
- iii. Measure, evaluate and control the work done at various levels.

Generally, there are three levels in organisations, viz., strategic, managerial and operating. At the strategic level, policies are formulated, goals are set, objectives are framed. Strategies are also designed to achieve the objectives taking into consideration the environmental influences on the organisation. At the management level, the programmes regarding the procurement and allocation of all types of resources are formulated to achieve the strategies and objectives. At the operating level, the programmes are implemented i.e., the actual operations are carried out in the process of day-to-day activities in order to carry out the strategies and achieve the objectives.

Basically, there are two types of organisational structures, viz., flat and tall. Tall or pyramid type of organisational structures are suitable to companies which are labour-oriented. Flat organisations are suitable to technology-oriented companies. Since most modern organisations are technology-based and endowed with capital and highly educated employees, they tend to have an organisation structure where the number of employees at the operating level are relatively few. In view of this, human resource management is not only a challenging but significant function in a modern organisation. Moreover, human resources have a plus value in that they can convert the disorganised resources into a useful, productive organisation.

Human Resource Systems

The human resource system in an organisation is not only a unique sub-system but also a principal and central sub-system, as it operates upon and controls all other sub-systems. Managers often comment thus: "People are our greatest assets." They are fond of repeating the truism that the only real difference between one organisation and the other is the performance of people. In essence, the survival, development and performance of an organisation depends heavily upon the quality of its personnel. While designing HR systems, management might consider the points given in this Table.

In view of the significance of human resource system, organisations today are creating human resource development (HRD) departments and the status of this department is equated to other functional departments. Most organisations have already introduced schemes of Participative Management and Quality Circles with a view to make use of untapped human resources, provide free flow of upward communication and enhance the status of employees. Similarly, the programmes of human resource development, organisation development, etc., have received much attention as the organisations have realised the importance of human resource contributions in organisational success. Further, the increased concern of the organisations about the programmes of quality of work life shows the enhancement of the status of human resource function in general and human resources in particular. This change is not an end but only a humble beginning to the increase in the status of the HR function in the years ahead.

Managing Diversity

One way to deal with the problem of diversity is to create a truly multicultural organisation where all members of diverse cultural and social groups are involved in the divisions that shape the mission, operations, interactions, products and services of the organisation. To this end, HR managers must encourage open communication with young and old employees, workers, minorities, disabled, etc. In this way, managers can learn more about a group's personal values and understand how individuals like to be treated. When they interact with disabled, for example, they may find that the disabled may not like any special attention or treatment to be given to them. They may want to be treated like everyone else, asking only for equal employment opportunities. Encouraging feedback from various groups regarding how they would like to be treated helps HR professionals in formulating appropriate strategies.

In male-dominated offices, sexual harassment has become a nuisance in recent times. Before initiating steps to curb such unhealthy tendencies, HR managers must interact with women employees and elicit their opinions on how to improve relations between males and females. They must develop and communicate a strongly worded policy stating that racial or sexual harassment violates company rules. Certain proactive companies nowadays are developing awareness campaigns to help employees understand the pain and indignity of harassment. At middle and higher management levels, charges of harassment could invite harsh punishment and often lead to termination of employment, followed by law suits. To protect the image and reputation of the company, HR managers must highlight rules in this regard so that everyone understands the policies of the company clearly. To avoid charges of discrimination, managers must: (Luthans, chap 2):

- Ensure that all types of applicants are sought without any discrimination (recruiting).
- Use of valid and non-discriminators selection tools and devices (selecting).
- Emphasise that all employees without exception are eligible to use training and development-oriented facilities (training).
- Apply performance appraisal systems without any bias or prejudice (appraising).
- Reward employee performance emphasising the principle of equity (compensating).
- Fix work schedules in a flexible way so that female employees, dual-career couples, disabled workers can participate in all organisational activities without any problem (scheduling).

Summary

- Organisations and their HR departments are open systems and are affected by the environment in which they operate.
- The impact of technology on HR can be profound. New technologies can decimate organisational layers, low-end jobs and make existing employee skill sets practically obsolete. Internet and intranet revolution have changed the way business is carried out worldwide. HR managers need to handle the people impacted by such sweeping changes carefully.
- With a view to respond to customer needs better, faster and more cheaply, organisations have opted for total quality management and reengineering

programmes. Each of these programmes requires that HR be involved in changing work processes, training, job design, compensation and the like.

- Economic, political, social and local factors also influence the way in which HR managers meet their objectives.
- The workforce is becoming increasingly diverse and organisations are doing their best to address employee concerns and to maximise the benefits of different kinds of employees with diverse educational, cultural and religious backgrounds.
- Organisations are also influenced by a variety of internal factors relating to strategy, culture, structure, etc.
- In order to benefit from diversity, managers should recognise the potential concerns of employees and make sure that the exchange between the organisation and employees is mutually rewarding.

Terminology

- **Mission:** The reason and justification for the existence of a firm, it tells about what a company does to meet customers' expectations.
- **Structure:** Framework of an organisation.
- **Policy:** Standing answer to a recurring problem.
- **Technology:** Refers to how an organisation transforms its inputs into outputs.
- **TQM:** A way of creating an organisational culture committed to the continuous improvement of skills, teamwork, processes, product and service quality and customer satisfaction.
- **Reengineering:** Radical, quantum change in an organisation.
- **Diversity:** The situation that arises when employees differ from each other in terms of age, gender, ethnicity, education, etc.
- **Flexitime:** A work scheduling system that allows employees some discretion over when they arrive at work and leave.
- **Culture:** It is the organisation's personality revealing the shared values, beliefs and habits of its members.
- **Benchmarking:** Measuring the performance of processes within your organisation, comparing these performance levels with the best in class companies and where deficiencies exist, using the information on the best practices too improve your organisation's own business processes (Kehoe).
- **Knowledge workers:** Workers whose responsibilities extend beyond the physical execution of work to include planning, decision-making and problem-solving.
- **Globalisation:** The tendency of organisations to extend their sales, ownership and/or manufacturing to new markets.
- **Human Resource Information System (HRIS):** Computerised system that offers current and accurate data for purposes of control and decision-making.
- **Downsizing:** The planned elimination of jobs.
- **Disparate treatment:** When an employer treats people differently or evaluates by different standards depending on their age, sex, race or other protected categories.

- **Glass ceiling:** Refers to an invisible barrier that prevents women from advancing to higher levels within the organisation.
- **Outsourcing:** When companies contract their work to other companies and individuals to save money.
- **Obsolescence:** The tendency for knowledge and skills to go out of date.
- **Managing diversity:** Establishing a heterogeneous workforce to perform to its potential in an equitable work environment where no member or group of members enjoys an advantage or suffers a disadvantage.
- **Plateaued employees:** Employees who are at a standstill in their jobs, either organisationally, through a lack of promotional opportunities or personally, through lack of ability or desire.

References

- D.M. Rousseau, "Assessment of Technology in Organisations: Closed vs. Open Systems Approaches", *Academy of Management Review*, 4, 1979.
- B.H. Harvey, "Technology, Diversity and Work Culture", *HR Magazine*, 45, July 2000.
- S.A. Snell et al, "Managing the Impact of Information Technology on HRM" in G.R. Ferries (ed) *Handbook of HRM*, Oxford, UK, Blackwell, 1995.
- "Cooparte Job Creation, Job Elimination and Downsizing", *AMA Survey*, 1997.
- A.M. Susskind et al, "Downsizing and Structural Roles", *Communication Research*, 25, 1998.
- C. Hirschman, "Time for a Change", *HR Magazine*, August 1998.
- A. Singh et al, "Synergising HRD Interventions", *Excel Books*, New Delhi, 2001.
- M. Apgar, "The Alternative Workplace: Changing where and how People Work", *Harvard Business Review*, 70, May-June 1998.
- L. Greshing-pophal, "Training employees to telecommute: A recipe for success", *HR Magazine*, 43, Dec 1998.
- E.R. Eddy et al, "The effects of Information Management Policies and Reactions to Human Resource Information Systems," *Personnel Psychology*, 52, Sep 1999.
- B.H. Harvey, "Technology, Diversity and Work Culture: Key Trends in the Next Millennium", *HR Magazine*, 45, July 2000.
- W.F. Cascio, "Managing Virtual Workplace", *Academy of Management Executive*, 13, 2000.
- A. Monappa and M. Engineer, "Liberalisation and Human Resource Management", *Response Books*, New Delhi, 1999.
- W. Walter, "The Deming Management Method", New York, Perigee, 1986.
- J.E. Ross, "Total Quality Management", Delray Beach, Fl.st.lucie Press, 1993.
- J. Myers, "Downsizing blues: how to keep up morale?" *Management*

Review, 82.1993.

- N. Papalexandris, "Downsizing and Outplacement: the Role of HRM", *The International Journal Human Resource Management*, 7, Sep, 1996.
 - M. Hammer, J. Champy, "Reengineering the Corporation", New York, Harper Collins, 1993.
 - J. Champy, "Reengineering Management", New York, Harper Business, 1995.
9. ● B.H. Harvey, "Technology, Diversity and Work Culture: Key trends in the Next Millennium", *HR magazine*, 45, July, 2000.
- J.A. Mello, "The Strategic Management of Workplace Diversity Initiatives", *International Journal of Public Administration*, 19, 1992.
 - S.E. Jackson (ed), "Diversity in the Workplace", New York, Guilford, 1992.
 - P.R. Harris and J.R. Moran, "Managing Cultural Differences", Houston, Gulf Publishing, 1990.
 - J.P. Fernandez, M. Barr, "The Diversity Advantage", New York, Lexington Books, 1993.
 - F.N. Schwartz, "Women as a Business Imperative", *Harvard Business Review*, March-April 1992.
 - S. Shellen Barger, "Work and Family", *The Wall Street Journal*, July, 26, 2000.
 - L. Thornburg, "The Age Wave Hits: What Older Workers Want and Need", *HR Magazine*, Feb 1995.
 - Cox Taylor, "Cultural Diversity in Organisations", San Francisco- Berrett-Kochler, 1993.
 - Praxis, "Women in Management", Nov. 1999.

Review Questions

1. Why should HR managers monitor demographic trends (such as composition, race, age, sex, education, etc.)?
2. How do economic cycles impact the HR function? Give an example of an HR policy that takes variations in the economy into account.
3. What is meant by diversity, and what are the major reasons that have made it a challenge for today's organisations?
4. Outline the major characteristics of diversity.
5. How can diversity be managed? Offer suggestions at both the individual and organisational levels.
6. What factors influence personnel environment in India? Discuss their implications.
7. Discuss the present state of personnel function in organisational context with special reference to the strategy, structure and systems of HR.
8. Discuss the relationship between technology and HR strategies and actions. What can HR managers do to grapple with economic challenges and technological advancements?

9. What are the most important workplace trends affecting HR today? How well do you feel HR as a profession responds to these trends?

Discussion Questions

1. To be a strategic business contributor, HR Management must enhance organisational performance, expand human capital, and be cost-effective. Discuss how HR professionals must balance the competing demands made on them.
2. Predict workplace changes that you believe might take place within the next 10 years. What challenges will these changes present to organisations?
3. Assuming that the trend toward robotics and artificial intelligence continues into the next century, how might managers and HR departments be affected?
4. "The government should not be so concerned with the personnel affairs of business. They should reduce some of their laws and let business police itself". Do you agree or disagree? Discuss.

Test Your Understanding

A. Multiple choice questions. Select the most appropriate one

1. In the final analysis, every society's wealth and well-being is dependent on
 - a. organisations
 - b. size of population
 - c. luck
 - d. trade policy
 - e. national resources
2. The common feature in every organisation is
 - a. people
 - b. a formal hierarchy
 - c. offices
 - d. a bureaucratic set up
 - e. high salaries for top personnel.
3. Human Resource departments are
 - a. line departments
 - b. authority departments
 - c. service departments
 - d. functional departments
 - e. highly redundant departments
4. Which of the following is not an environmental challenge facing human resources
 - a. competition for scarce inputs
 - b. governmental rules and regulations
 - c. global competition

- d. changing workers
 - e. environmental activities
5. Which of the following is not a step that the HR department should follow to deal with environmental challenges?
- a. take proactive measures
 - b. evaluate potential costs and benefits
 - c. obtain and examine feedback
 - d. stay informed
 - e. proceed carefully until the impact is clear
6. Human Resource professionals
- a. should follow a business – like approach
 - b. realise that line managers share their point of view
 - c. insist on the primacy of HR policies
 - d. try to get more authority over line managers
 - e. should concentrate on developing expertise in the field of HRM
7. During a recession, organisations should not:
- a. lay off workers immediately
 - b. consult the HR department
 - c. consider cutting wages
 - d. cut managerial perquisites
 - e. change their strategy and lose sight of their objectives
8. Managers do not apply for international assignments for all but the following reason
- a. career concerns and interests
 - b. cultural considerations
 - c. family issues
 - d. glamour
 - e. opportunities to go to less developed countries
9. Senior positions in foreign branches are generally filled up by
- a. failures from headquarters
 - b. expatriates
 - c. those with the best technical ability
 - d. foreign nationals
 - e. locals with political clout
10. Which area of the HR function is least affected by internationalisation?
- a. compensation

- b. hiring
- c. training
- d. succession planning
- e. equal employment opportunities

B. True/False Questions

1. An organisation's technology is the process by which outputs from an organisation's environment are transformed into inputs.
2. The use of information technology and Internet by employees have raised concerns regarding the privacy of employee work activities.
3. The contexts in which human resources are managed in today's organisations are constantly changing.
4. Organisational culture can be easily changed.
5. Competitive pressures are changing the strategies of many companies.
6. Diversity refers to human characteristics that make people similar to each other.
7. Reengineering implies a slow and steady change in an organisation.
8. The impact of technology on the HR function is minimal.
9. Management is best equipped to decide what is good or bad for employees governed by them.
10. Business principles and values can be successfully applied anywhere in the world.
11. External challenges can best be met through attempt to change the environment.
12. Now a days the world is shrinking in all major respects.
13. The composition of the workforce has been changing in India over the years.
14. Employing contract labour is an example of proactive human resource management.
15. Paternalism was an effective deterrent to unionisation in the 1930s.

Answers

A. Multiple Questions

- | | | | | | | | | | |
|----|----|----|----|----|----|----|----|-----|----|
| 1. | a, | 2. | a, | 3. | c, | 4. | a, | 5. | e, |
| 6. | a, | 7. | a, | 8. | d, | 9. | b, | 10. | e |

B. True/False

- | | | | | | | | | | |
|-----|----|-----|----|-----|----|-----|----|-----|----|
| 1. | F, | 2. | T, | 3. | T, | 4. | F, | 5. | T, |
| 6. | F, | 7. | F, | 8. | F, | 9. | F, | 10. | F |
| 11. | F, | 12. | T, | 13. | T, | 14. | T, | 15. | F. |

Exercises/Activities

1. Visit an organisation to observe rituals, behaviours, dress codes, and interactions that help identify the firm's culture. Report your observations to the class and instructor.
2. Describe some instances where government policies create conflicting demands on employees.
3. Identify and discuss the significant trends related to technology and diversity that impact an organisation in the (a) FMCG business (b) Telecommunications and (c) Information technology field. What challenges do these trends represent? What initiatives have been established so far to meet these challenges?

Internet Sources

1. http://www.7_eleven.com
2. <http://www.skandia.afs.com>
3. <http://www.shrm.org>
4. <http://www.mancom.com>

CORPORATE OBJECTIVE AND HUMAN RESOURCE PLANNING

O U T L I N E

1. Introduction
2. Objectives
3. Importance
4. The Process of Human Resource Planning
5. Responsibility for HRP
6. Effective Human Resource Planning

Introduction

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

Human Resource Planning (HRP) is a forward looking function. It tries to assess human resource requirements in advance keeping the production schedules, market fluctuations, demand forecasts, etc., in the background. The human resource plan is subject to revision, of course, and is tuned to the requirements of an organisation from time to time. It is an integral part of the overall corporate plan and reflects the broad thinking of management about manpower needs within the organisation. The focus of the plan is always on getting right number of qualified people into the organisation at the right time. To this end, human resource plans are prepared for varying time periods, i.e., short-term plans covering a time frame of 2 years and long-term plans encompassing a period of 5 or more years.

Objectives

The basic purpose of having a human resource plan is to have an accurate estimate of the number of employees required, with matching skill requirements to meet organisational objectives. It provides information about the manner in which existing personnel are employed, the kind of skills required for different categories of jobs and human resource requirements over a period of time in relation to organisational objectives. It would also give an indication of the lead time that is available to select and train the required number of additional manpower.

More specifically, HR planning is required to meet the following objectives:

- **Forecast personnel requirements:** HR planning is essential to determine the future manpower needs in an organisation. In the absence of such a plan, it would be difficult to have the services of right kind of people at the right time.
- **Cope with changes:** HR planning is required to cope with changes in market conditions, technology, products and government regulations in an effective way. These changes may often require the services of people with the requisite technical knowledge and training. In the absence of an HR plan, we may not be in a position to enlist their services in time.
- **Use existing manpower productively:** By keeping an inventory of existing personnel in an enterprise by skill, level, training, educational qualifications, work experience, it will be possible to utilise the existing resources more usefully in relation to the job requirements. This also helps in decreasing wage and salary costs in the long run.
- **Promote employees in a systematic manner:** HR planning provides useful information on the basis of which management decides on the promotion of eligible personnel in the organisation. In the absence of an HR plan, it may be difficult to ensure regular promotions to competent people on a justifiable basis.

Importance

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

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

The Process of Human Resource Planning

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

1. Forecasting the Demand for Human Resources

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

- a. **External challenges:** These challenges arise from three important sources:
 - **Economic developments:** Liberalisation, opening up of banking sector, capital market reforms, the on-line trading systems have created huge demand for finance professionals during 1990-1995 in India. The late 90s saw the rise of manufacturing, FMCG, Pharmaceuticals, Auto-components, Healthcare and Chemical Industries in a steady manner. Consequently, the demand for Engineering and Management graduates, Scientists and Healthcare professionals has picked up in recent times.
 - **Political, legal, social and technical changes:** The demand for certain categories of employees and skills is also influenced by changes in political, legal and social structure in an economy. Likewise, firms employing latest technology in construction, power, automobiles, software, etc., have greatly enhanced the worth of technicians and engineers during the last couple of years. Technology, however, is a double-edged weapon and hence, its impact on HR plans is difficult to predict. For example, computerisation programme in Banks, Railways, Post and Telegraph Departments may reduce demand in one department (book keeping, for example) while increasing it in another (such as computer operations). High technology with all its attendant benefits may compel organisations to go lean and downsize workforce suddenly. Employment planning under such situations becomes complicated.
 - **Competition:** Companies operating in fields where a large number of players are bent upon cutting each other's throat (with a view to enhance their market shares) often reduce their workforce. Competition is beneficial to customers but suicidal for companies operating on thin margins. Such companies have to necessarily go 'lean' by reducing their workforce. On the other hand, companies that are doing well and progressing smoothly will always look for people with critical skills.
- b. **Organisational decisions:** The organisation's strategic plan, sales and production forecasts and new ventures must all be taken into account in employment planning. If Britannia Industries Ltd expects higher demand for biscuits and bread, the long-term HR plan must take this into consideration. Likewise, if it tries to venture into other lucrative fields such as milk-based products and confectionery items, the demand for people possessing requisite skills in those areas in the next couple of years should be looked into carefully.
- c. **Workforce factors:** Demand is modified by retirements, terminations, resignations, deaths and leaves of absence. Past experience, however, makes the rate of occurrence of these actions by employees fairly predictable.
- d. **Forecasting techniques:** The manpower forecasting techniques commonly employed by modern organisations are given below:

- **Expert forecasts:** In this method, managers estimate future human resource requirements, using their experiences and judgements to good effect.
- **Trend analysis:** HR needs can be estimated by examining past trends. Past rates of change can be projected into the future or employment growth can be estimated by its relationship with a particular index.

BOX 11: TREND ANALYSIS (AN EXAMPLE)

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

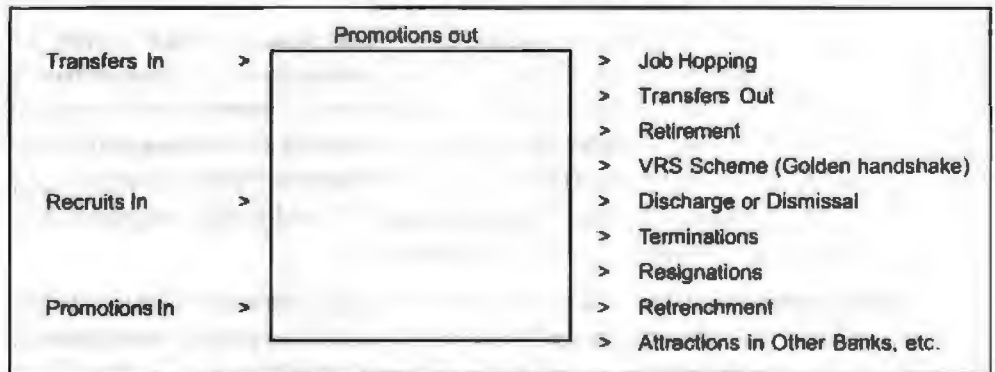
If supervisors have a span of 20 workers, 8 supervisors are also needed in 2003-04.

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

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

- **Workforce analysis:** The average loss of manpower due to leave, retirement, death, transfer, discharge, etc., during the last 5 years may be taken into account. The rate of absenteeism and labour turnover should also be taken into account. The nature of competition say from foreign banks, other non-banking financial institutions may also be considered here to find out actual requirements in a year (Box. 12).

BOX 12: MANPOWER FLOWS IN A BANK



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

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

BOX 13: WORK LOAD ANALYSIS (AN EXAMPLE)

Planned output for the year	10,000	pieces
Standard hours per piece	3	hours
Planned hours required	30,000	hours
Productive hours per person per year (allowing for absenteeism, turnover, idle time etc.)	1,000	hours (estimated on annual basis)
No. of workers required	30	
If span of control in the unit is 10 per officer, then 3 officers are also required.		

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

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

2. Preparing Manpower Inventory (Supply Forecasting)

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

- Internal labour supply:** A profile of employees in terms of age, sex, education, training, experience, job level, past performance and future potential should be kept ready for use whenever required. Requirements in terms of growth/diversification, internal movement of employees (transfer, promotions, retirement, etc.) must also be assessed in advance. The possibilities of absenteeism and turnover should be kept in mind while preparing the workforce analysis. Through replacement charts or succession plans, the organisation can even find out the approximate date(s) by which important positions may fall vacant. Frequent manpower audits may be carried out to find out the available talent in terms of skills, performance and potential. (see Figure 4)

Some of the important forecasting techniques may be summarised thus:

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

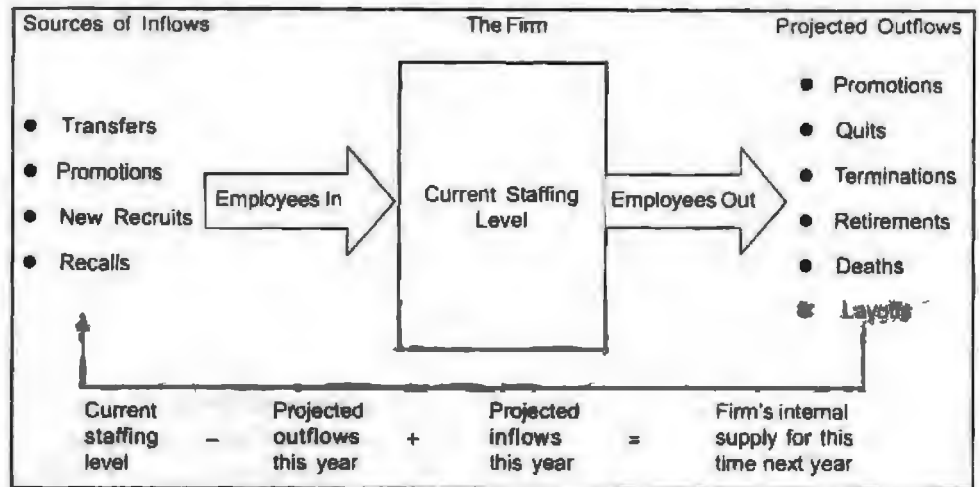


Figure 4: Estimated Internal Labour Supply for a given Firm

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

2003-2004	Store Managers	Asst. Store Managers	Section Heads	Dept. Heds	Sales Executives	Exit
Store Managers (n = 15)	80% 12					20% 3
Asst. Store Managers (n = 36)	11% 4	83% 30				6% 2
Section Heads (n = 94)		11% 11	88% 63	8% 8		15% 14
Departmental Heads (n = 288)			10% 29	72% 207	2% 6	16% 46
Sales Executives (n = 1440)				8% 86	74% 1066	20% 288
Forecasted Supply	16	41	92	301	1072	353

Figure 5: Markov Analysis for a Hypothetical Retail Company

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

Name : A.K. Sen Number : '429			Date printed : 1-4-2004 Department : 41			
Key words			Work experience			
Word	Description	Activity	From	To		
Accounting	Tax	Supervision and analysis	1998	2000	Tax clerk	ABC Company
Book Keeping	Ledger	Supervision	2000	2002	Accountant	XYZ Co.
Auditing	Computer records	Analysis	2002	2003	Chief Accounts Officer	TT Bank
Education			Special Qualifications		Memberships	
Degree	Major	Year	Course	Date	1. AIMA	
MBA	Finance	1998	• DBF	1996	2. ISTD	
B.Com	Accounts	1995	• Risk Management	1999	3. ICA	
Computer Literacy	Languages	Position preference	Location choice	Hobbies		
• Tally • Banking Software	• French	Accounting Auditing	• Kolkata • Delhi • Bangalore	• Chess • Football • Boating		
Employees Signature _____				HR Department _____		
Date _____				Date _____		

Figure 6: An Example of a Skills Inventory

Replacement chart: It shows the profile of job holders department-wise and offers a snapshot of who will replace whom if there is a job opening. (See Figure 4).

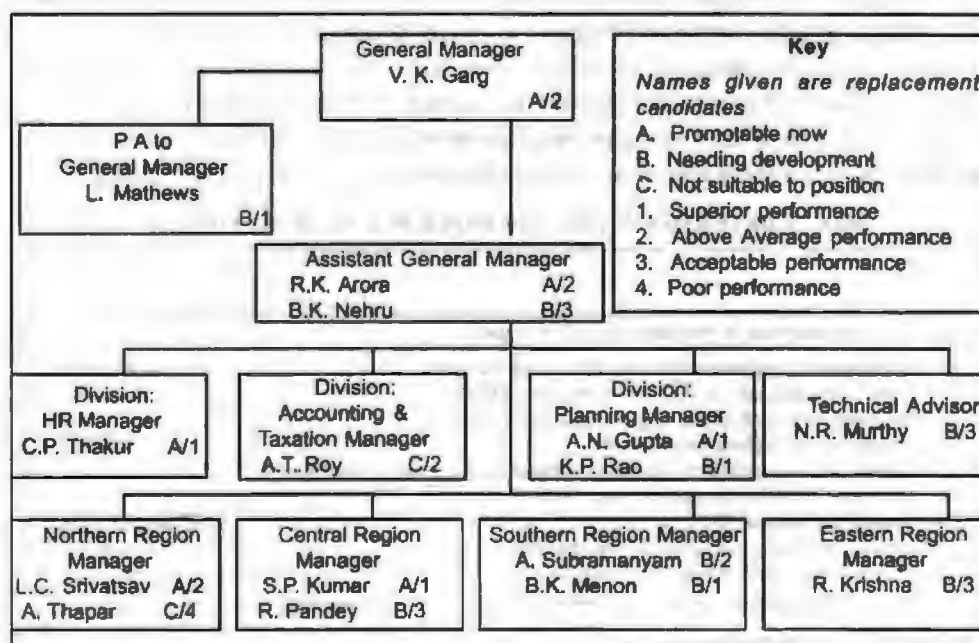


Figure 7: An Executive Replacement Chart

- (b) **External labour supply:** When the organisation grows rapidly, diversifies into newer areas of operations (merchant banking, capital market operations, mutual funds, etc. in the case of a bank) or when it is not able to find the people internally to fill the vacancies, it has to look into outside sources. To the extent an

organisation is able to anticipate its outside recruitment needs and looks into the possible sources of supply keeping the market trends in mind, its problem in finding the right personnel with appropriate skills at the required time would become easier. (see Box 14)

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

BOX 14: IMPORTANT BAROMETERS OF LABOUR SUPPLY

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

3. Determining Manpower Gaps

The existing number of personnel and their skills (from human resource inventory) are compared with the forecasted manpower needs (demand forecasting) to determine the quantitative and qualitative gaps in the workforce. A reconciliation of demand and supply forecasts will give us the number of people to be recruited or made redundant as the case may be. This forms the basis for preparing the HR plan. Box 15 shows how demand and supply forecasts can be related over a period of three years.

BOX 15: DETERMINING HUMAN RESOURCE REQUIREMENTS

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

DEMAND

SUPPLY

RECONCILIATION
OF THE ABOVE
MANPOWER NEEDED

4. Formulating HR Plans

Organisations operate in a changing environment. Consequently, Human resource requirements also change continually. Changes in product mix, union agreements, competitive actions are some of the important things that need special attention. The human resource requirements identified along the procedure outlined in the above box need to be translated into a concrete HR plan, backed up by detailed policies,

programmes and strategies (for recruitment, selection, training, promotion, retirement, replacement, etc.).

- **Recruitment plan:** Will indicate the number and type of people required and when they are needed; special plans to recruit right people and how they are to be dealt with via the recruitment programme.
- **Redeployment plan:** Will indicate the programmes for transferring or retraining existing employees for new jobs.
- **Redundancy plan:** Will indicate who is redundant, when and where; the plans for retraining, where this is possible; and plans for golden handshake, retrenchment, lay-off, etc.
- **Training plan:** Will indicate the number of trainees or apprentices required and the programme for recruiting or training them; existing staff requiring training or retraining; new courses to be developed or changes to be effected in existing courses.
- **Productivity plan:** Will indicate reasons for employee productivity or reducing employee costs through work simplification studies, mechanisation, productivity bargaining; incentives and profit-sharing schemes, job redesign, etc.
- **Retention plan:** Will indicate reasons for employee turnover and show strategies to avoid wastage through compensation policies; changes in work requirements and improvement in working conditions.
- **Control points:** The entire manpower plan be subjected to close monitoring from time to time. Control points be set up to find out deficiencies, periodic updating of manpower inventory, in the light of changing circumstances, be undertaken to remove deficiencies and develop future plans.

Responsibility for HRP

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

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

Limitations

The problems faced by human resource professionals while preparing or administering HR Plans may be summarised thus:

- **Accuracy:** Projecting manpower needs over a period of time is a risky one. It's not possible to track the current and future trends correctly and convert the same into meaningful action guidelines. Factors such as absenteeism, labour turnover, seasonal trends in demand, competitive pressures, technological changes and a host of other factors may turn the best of manpower plans into fashionable, decorative pieces.
- **Support:** Planning is generally undertaken to improve overall efficiency. In the name of cost cutting, this may ultimately help management weed out unwanted labour at various levels. The few efficient ones that survive such frequent onslaughts complain about increased workload. Support from management is equally missing on more than one occasion. They are unwilling to commit funds for building an appropriate human resource information system. The time and effort involved - with no tangible, immediate gains - often force them to look the 'other way'.
- **Numbers game:** HRP, in the final analysis, may suffer due to an excessive focus on the quantitative aspects. The quality side of the coin (consisting of employee motivation, morale, career prospects, training avenues, etc.) may be discounted thoroughly.

Effective Human Resource Planning

A comprehensive survey of human resource planning practices in 45 companies covering a cross-section of the manufacturing industry has indicated the scant attention that is being paid to human resource planning.

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

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

- a. **Objectives:** The HR plan must fit in with the overall objectives of the organisation. Important aspects such as people working in the organisation, working conditions, human relationships, etc., must be kept in mind while developing the plan.
- b. **Top management support:** The plan must meet the changing needs of the organisation and should enjoy consistent support from top management.
- c. **Employee skills inventory:** The organisation must have an up-to-date employee skills inventory showing previous jobs held, tenure on current job, educational

and training qualifications, specific knowledge and skills, prior work performance, past and current compensation, mobility factors. Markov Analysis (an approach to forecast the internal supply of manpower, tracking past patterns of personnel movements) may be pressed into service while preparing the manpower inventory.

- d. **Human resource information system:** To manage employee skills inventories, organisations should maintain computerised human resource information systems containing data on: individual demographics, career progression, appraisals, skills, interests, training, target positions, performance ratings, geographic preferences, promotability ratings, etc.
- e. **Coordination:** A separate HR planning division must be created, especially in large organisations, to coordinate HR planning exercises at various levels. The various plans for procurement, promotion and retention of human resources must be integrated properly. The ultimate objective must be to make use of the human resources in an optimal manner by filling future vacancies with the right type of people.

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

Summary

- HR Planning is essentially the process of getting the right number of qualified people into the right job at the right time so that an organisation can meet its objectives.
- Organisations use HRP as a means of achieving greater effectiveness.
- HRP systematically attempts to forecast personnel demand, assess supply and reconcile the two.
- The HR Planning process, it must be remembered, should be tuned to organisational objectives and strategies.
- While developing HR Plans, managers should scan the external environment carefully to identify the effects of economic, social, competitive and governmental influences.
- To overcome problems such as lopsided focus on quantitative aspects, lack of support at the top level, inaccurate estimates due to poor search efforts, planners should install HRIS and implement the same sincerely.

Terminology

- **Human resource planning:** The process of getting the right number of qualified people into the right job at the right time, so that an organisation can meet its objectives.
- **Human resource forecast:** An attempt to predict an organisation's future demand for employees.
- **Staffing table:** A chart showing future employment needs for each type of job.
- **Skills inventories:** Summaries of the skills and abilities of non-managerial employees used in forecasting supply.
- **Replacement charts:** A portrayal of who will replace whom in the event of a job opening.
- **Succession planning:** An executive inventory report showing which individuals are ready to move into higher positions in the company.
- **Human resource inventory:** Describes the skills that are available within the company.
- **Outplacement:** The process of helping unwanted present employees find new jobs with other firms.
- **HR audits:** HR audits summarise each employee's skills, knowledge and abilities. Audits of non-managers are called skills inventories; audits of managers are known as management inventories.
- **Job analysis:** A systematic exploration of the activities surrounding – and within – a job.
- **Human resource informations system:** A computerised system that helps in the processing of HRM information.
- **Trend analysis:** Study of an organisation's past employment needs over a period of years to predict future needs.

References

1. ● J. Walker, "Human Resource Planning", New York, McGraw Hill, 1980
● J. Walker, "Human Resource Planning : 1990s Style", Human Resource Planning, 13, 1990.
2. S. Overman, "Gearing up for Tomorrow's Workforce", HRM Focus 76, Feb. 1999.
3. ● L.M. Baytos, "A no-frills approach to HRP," Human Resource Planning 7, 1984.
● Also see "Building Leaders", Business World, 6.12.2004.
4. R.L. Mathis, J.H. Jackson, "Human Resource Management", Cincinnati, Ohio, South Western College Publishing, 2003.
5. H.G. Heneman III et al, "Markov Analysis in Human Resource Administration", Academy of Management Review, 2, Oct. 1977.
6. R.A. Kaumayer, "Planning and Using Skills Inventory Systems", New York, Van Nostrand Reinhold, 1979.

7. Krishna Swamy, "Manpower Planning Practices in Indian Manufacturing Organisations", *ASCI Journal of Management*, 1985.
8. P.K. Das, "Manpower Planning at the Level of an Undertaking", *Manpower Journal*, Oct-Dec 1966.
9. Best Managed Companies like Infosys, ICICI Bank, Reliance, HDFC bank, Wipro, Cadbury etc., have clearly laid out systems and processes in areas of strategic review, operations and people management to sustain superior performance and growth. See *Business Today*, June 22, 2003.

Internet Sources

1. Human resources on line
<http://www.glue.umt.edu/vernita/>
2. Society for Human Resource Management
<http://www.shrm.org/>
3. Workforce on line
<http://workforceonline.com>

Review Questions

1. Outline the steps involved in the Human Resource Planning process.
2. Why is HR Planning more common among large organisations than among small ones? What are the advantages of HR planning for large organisations?
3. Discuss the problems in HRP. How can you plan for human resources in an effective manner?
4. Define HRP. Describe its characteristics and objectives. Explain the reasons for the growing interest in HRP in recent years.
5. Write short notes on:
 - Markov Analysis
 - Staffing Tables
 - Skill Inventory
 - Replacement charts
6. Discuss the various factors that affect the supply of human resources.
7. Distinguish between the quantitative and qualitative approaches to forecasting the need for human resources.

Discussion Questions

1. Assume you have to develop an HR plan for a new-generation private sector bank having branches in major towns in India: What specific external factors would be important for you to consider. Why?
2. How can organisations develop accurate HR plans which, in turn, are impacted by a number of environmental factors over which managers have little or no control?

3. When employees possess transferable skills and indulge in job hopping, developing effective human resource plans proves to be a tough exercise? Do you agree? Why or Why not?

Test Your Understanding

A. Multiple choice questions: Select the most appropriate one.

1. The basis for human resource planning is
 - (a) the economic trends
 - (b) demand for employees
 - (c) strategic plans of the firm
 - (d) budgets
 - (e) supply of employees
2. Workforce factors that influence demand include :
 - (a) expansion moves
 - (b) terminations
 - (c) strategic plans
 - (d) sales projections
 - (e) organisational design
3. The first factor in deciding the supply of labour is :
 - (a) developing staffing tables
 - (b) issuing advertisements
 - (c) preparing replacement charts
 - (d) analysing labour markets
 - (e) auditing present employees.
4. Techniques of estimating demand for human resources :
 - (a) mere approximations.
 - (b) are rarely done
 - (c) involve HR audits
 - (d) can be very accurate
 - (e) employ skills inventories
5. Replacement charts:
 - (a) show likely terminations
 - (b) indicate the current performance of employees and their promotability.
 - (c) Display the strengths and weaknesses of employees
 - (d) Point out future HR needs for each job
 - (e) Describe the qualifications of promising candidates.

B. True/False Questions

Put True/False in the blank space given below:

- _____ 1. Human resource forecasts can be very accurate.
- _____ 2. Small scale units benefit less than large scale undertakings from human resource planning.
- _____ 3. The basis for human resource planning is the supply of employees.
- _____ 4. Replacement charts show potential terminations.
- _____ 5. The role of demographics in estimating employee supply is easy to predict.
- _____ 6. The first step in determining supply is placing advertisements in newspapers.
- _____ 7. Strategic plans become operational through budgets.
- _____ 8. Only relevant labour markets should be analysed to estimate supply.
- _____ 9. Planners have little flexibility in dealing with short term shortages of employees.
- _____ 10. Proper promotional avenues are necessary to motivate people to peak performance.

C. Key Terms Exercise

Match the term below with its appropriate definition. Place the letter of the correct definition in the space to the left of the term.

- | | |
|----------------------------|--|
| _____ 1. Markov Analysis | a. Judgements of those who are knowledgeable of future HR needs. |
| _____ 2. Replacement Chart | b. Files of personnel education, experience, interests, skills etc., that allow managers to quickly match job openings with employee backgrounds |
| _____ 3. Skill Inventories | c. Study of a firm's past employment needs over a period of years to predict future needs. |
| _____ 4. Trend Analysis | d. Method for tracking the pattern of employee movements through various jobs. |
| _____ 5. Expert Forecasts | e. A profile of job holders department-wise, and offers a snapshot of who will replace if there is a job opening. |

Answers

A. Multiple Choice Questions

1. c, 2. b, 3. e, 4. a, 5. b

B. True/False Questions

1. F, 2. T, 3. F, 4. F,
5. T, 6. F, 7. T, 8. T,
9. T, 10. T

C. Key Terms Exercise

1. d, 2. e, 3. b, 4. c, 5. a

Exercises/Activities

1. Suppose you manage a restaurant in a holiday resort near Dehradun. During the summer it is profitable to keep the business open, but in winters you need only one half of the cooks, servers, supervisors and cleaners. What actions would you take in October for the beginning of the peak tourist season?
2. Working individually or in groups, develop a forecast for the next three years of occupational market conditions for five occupations such as accountant, engineer, doctor, journalist and lawyer.

JOB ANALYSIS AND ROLL DESCRIPTION**O U T L I N E**

1. Introduction
2. Uses of Job Analysis
3. The Process of Job Analysis
4. Competency Approach to Job Analysis
5. Methods of Collecting Job Analysis Data
6. Job Description
7. Job Specification
8. Role Analysis
9. Job Analysis in a 'Jobless' World

Introduction

In a labour surplus and capital hungry country like India, jobs are very important to individuals. They help determine standards of living, places of residence, status and even one's sense of self-worth. Jobs are important to organisations also because they are the means of accomplishing organisational objectives. Traditionally, organisations used to define jobs in a rigid way. The popular view about a job was that what it requires does not change; it is designed to be immutable and unchanging, irrespective of the various incumbents who perform them. In reality, however jobs are not static. They are subject to change. Technological advances and competitive pressures may often force an organisation to put more emphasis on characteristics of successful performance rather than on standard job duties, tasks etc. Moreover, the same job might be handled differently at different times of the year (e.g., life guards, accountants, ski instructors, actors). The job incumbent might declare, "I do what I believe right on the job". The job is what the incumbent makes of it. To understand the dynamic nature of jobs, managers gather information about jobs from time to time.

What is Job Analysis?

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

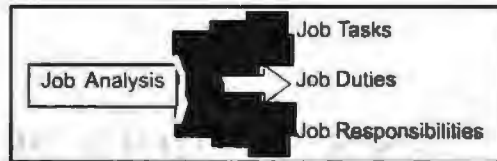


Figure 8: Nature of Job Analysis

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

BOX 17: PARTIAL JOB ANALYSIS QUESTIONNAIRE

JOB ANALYSIS INFORMATION FORMAT																								
Your Job Title _____	Code _____ Date _____																							
Class Title _____	Department _____																							
Your Name _____	Facility _____																							
Superior's Title _____	Prepared by _____																							
Superior's Name _____	Hours Worked _____ AM _____ to AM _____ PM PM																							
<ol style="list-style-type: none"> 1. What is the general purpose of your job? 2. What was your last job? If it was in another organisation, please name it. 3. To what job would you normally expect to be promoted? 4. If you regularly supervise others, list them by name and job title. 5. If you supervise others, please check those activities that are part of your supervisory duties: <table style="width: 100%; margin-left: 20px;"> <tr> <td><input type="checkbox"/> Hiring</td> <td><input type="checkbox"/> Coaching</td> <td><input type="checkbox"/> Promoting</td> </tr> <tr> <td><input type="checkbox"/> Orienting</td> <td><input type="checkbox"/> Counselling</td> <td><input type="checkbox"/> Compensating</td> </tr> <tr> <td><input type="checkbox"/> Training</td> <td><input type="checkbox"/> Budgeting</td> <td><input type="checkbox"/> Disciplining</td> </tr> <tr> <td><input type="checkbox"/> Scheduling</td> <td><input type="checkbox"/> Directing</td> <td><input type="checkbox"/> Terminating</td> </tr> <tr> <td><input type="checkbox"/> Developing</td> <td><input type="checkbox"/> Measuring Performances</td> <td><input type="checkbox"/> Other _____</td> </tr> </table> 6. How would you describe the successful completion and results of your work? 7. Job Duties – Please briefly describe WHAT you do and, if possible, How you do it. Indicate those duties you consider to be most important and/or most difficult: <ol style="list-style-type: none"> (a) Daily Duties (b) Periodic Duties (Please indicate whether weekly, monthly, quarterly, etc.) (c) Duties Performed at Irregular Intervals 8. Education – Please check the blank that indicates the educational requirements for the job, not your own educational background. <table style="width: 100%; margin-left: 20px;"> <tr> <td><input type="checkbox"/> No formal education required</td> <td><input type="checkbox"/> College degree</td> </tr> <tr> <td><input type="checkbox"/> Less than high school diploma</td> <td><input type="checkbox"/> Education beyond graduate degree and/or professional license.</td> </tr> <tr> <td><input type="checkbox"/> High school diploma or equivalent</td> <td></td> </tr> <tr> <td><input type="checkbox"/> College certificate or equivalent</td> <td></td> </tr> </table> <p>List advanced degrees or specified professional license or certificate required. Please indicate the education you had when you were placed on this job.</p>		<input type="checkbox"/> Hiring	<input type="checkbox"/> Coaching	<input type="checkbox"/> Promoting	<input type="checkbox"/> Orienting	<input type="checkbox"/> Counselling	<input type="checkbox"/> Compensating	<input type="checkbox"/> Training	<input type="checkbox"/> Budgeting	<input type="checkbox"/> Disciplining	<input type="checkbox"/> Scheduling	<input type="checkbox"/> Directing	<input type="checkbox"/> Terminating	<input type="checkbox"/> Developing	<input type="checkbox"/> Measuring Performances	<input type="checkbox"/> Other _____	<input type="checkbox"/> No formal education required	<input type="checkbox"/> College degree	<input type="checkbox"/> Less than high school diploma	<input type="checkbox"/> Education beyond graduate degree and/or professional license.	<input type="checkbox"/> High school diploma or equivalent		<input type="checkbox"/> College certificate or equivalent	
<input type="checkbox"/> Hiring	<input type="checkbox"/> Coaching	<input type="checkbox"/> Promoting																						
<input type="checkbox"/> Orienting	<input type="checkbox"/> Counselling	<input type="checkbox"/> Compensating																						
<input type="checkbox"/> Training	<input type="checkbox"/> Budgeting	<input type="checkbox"/> Disciplining																						
<input type="checkbox"/> Scheduling	<input type="checkbox"/> Directing	<input type="checkbox"/> Terminating																						
<input type="checkbox"/> Developing	<input type="checkbox"/> Measuring Performances	<input type="checkbox"/> Other _____																						
<input type="checkbox"/> No formal education required	<input type="checkbox"/> College degree																							
<input type="checkbox"/> Less than high school diploma	<input type="checkbox"/> Education beyond graduate degree and/or professional license.																							
<input type="checkbox"/> High school diploma or equivalent																								
<input type="checkbox"/> College certificate or equivalent																								

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

Uses of Job Analysis

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

- a. **Human resource planning:** Job analysis helps in forecasting human resource requirements in terms of knowledge and skills. By showing lateral and vertical relationships between jobs, it facilitates the formulation of a systematic promotion and transfer policy. It also helps in determining quality of human resources needed in an organisation.
- b. **Recruitment:** Job analysis is used to find out how and when to hire people for future job openings. An understanding of the skills needed and the positions that are vacant in future helps managers to plan and hire people in a systematic way. For example, a company might be traditionally hiring MBA students for equity research. A recent job analysis showed that the positions could be filled by graduates with an analytical bent of mind. Now, this would help the company hire equity analysts from a greater number of available graduates even by offering a slightly lower salary.
- c. **Selection:** Without a proper understanding of what is to be done on a job, it is not possible to select the right person. If a Super Bazaar manager has not clearly identified what a clerk is to do, it is difficult to ascertain if the person selected is to position stores items, run a cash register, or keep the account books.
- d. **Placement and orientation:** After selecting people, we have to place them on jobs best suited to their interests, activities and aptitude. If we are not sure about what needs to be done on a job, it is not possible to identify the right person suited for the job. Similarly, effective job orientation cannot be achieved without a proper understanding of the needs of each job. To teach a new employee how to handle a job, we have to clearly define the job.
- e. **Training:** If there is any confusion about what the job is and what is supposed to be done, proper training efforts cannot be initiated. Whether or not a current or potential job holder requires additional training can be determined only after the specific needs of the jobs have been identified through a job analysis.
- f. **Counselling:** Managers can properly counsel employees about their careers when they understand the different jobs in the organisation. Likewise, employees can better appreciate their career options when they understand the specific needs of various other jobs. Job analysis can point out areas that an employee might need to develop to further a career.
- g. **Employee safety:** A thorough job analysis reveals unsafe conditions associated with a job. By studying how the various operations are taken up in a job, managers can find unsafe practices. This helps in rectifying things easily.
- h. **Performance appraisal:** By comparing what an employee is supposed to be doing (based on job analysis) to what the individual has actually done, the worth of that person can be assessed. Ultimately, every organisation has to pay a fair remuneration to people based on their performance. To achieve this, it is necessary to compare what individuals should do (as per performance standards) with what they have actually done (as per job analysis).
- i. **Job design and redesign:** Once the jobs are understood properly, it is easy to locate weak spots and undertake remedial steps. We can eliminate unnecessary movements, simplify certain steps and improve the existing ones through continuous monitoring. In short, we can redesign jobs to match the mental make-up of employees.
- j. **Job evaluation:** Job analysis helps in finding the relative worth of a job, based on criteria such as degree of difficulty, type of work done, skills and knowledge

needed, etc. This, in turn, assists in designing proper wage policies, with internal pay equity between jobs.

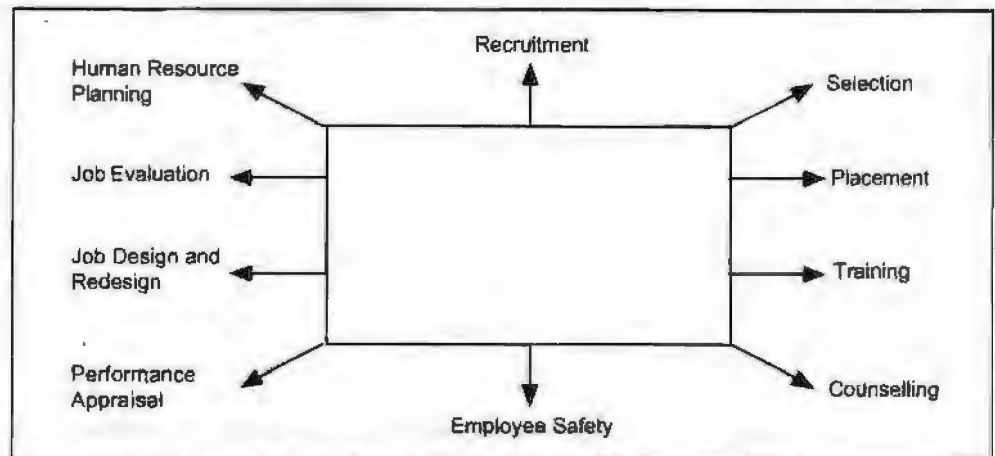


Figure 9: Multifaceted Nature of Job Analysis

Who should Conduct the Job Analysis?

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

The Process of Job Analysis

The major steps involved in job analysis are as follows:

- a. **Organisational analysis:** First of all, an overall picture of various jobs in the organisation has to be obtained. This is required to find the linkages between jobs and organisational objectives, interrelationships between jobs and contribution of various jobs to the efficiency and effectiveness of the organisation. The required background information for this purpose is obtained through organisation charts and workflow charts.
- b. **Selection of representative positions to be analysed:** It is not possible to analyse all the jobs. A representative sample of jobs to be analysed is decided keeping the cost and time constraints in mind.
- c. **Collection of job analysis data:** This step involves the collection of data on the characteristics of the job, the required behaviour and personal qualifications

needed to carry out the job effectively. Several techniques are available for collecting such data. Care should be taken to use only reliable and acceptable techniques in a given situation.

- d. **Preparation of job description:** This step involves describing the contents of the job in terms of functions, duties, responsibilities, operations, etc. The job holder is required to discharge the duties and responsibilities and perform the operations listed in job description.
- e. **Preparation of job specification:** This step involves conversion of the job description statements into a job specification. Job specification is a written statement of personal attributes in terms of traits, skills, training, experience needed to carry out the job.

Job requirements keep changing with time. Technological advances may demand a new approach to handle job operations. Union agreements may give a greater say in handling certain other responsibilities. The employees' attitude might change. In the past, jobs were designed, taking the view that they would not change. There was no attempt to link changing job requirements with changing attitudes of employees toward work. It is only in late 70's many organisations realised the importance of carrying out frequent job analyses and tune the jobs in-line with the mental make-up of people who handle them – for achieving greater efficiency and higher productivity.

Competency Approach to Job Analysis

The Competency Approach to Job Analysis focuses on linking business strategies to individual performance efforts. Where organisations operate in a fast-changing environment, employees may have to work in different teams, take up tasks of varied nature and perform multiple roles (such as leader, supporter, tactician, technical expert, administrator etc.) from time to time. The Competency Approach to Job Analysis, therefore, encourages employees to develop role-based competencies (knowledge, skills and abilities needed to play multifarious roles) that may be used in diverse work situations, instead of being boxed into a Job. These competencies would, in the final analysis, be in line with the organisation's culture and strategy, and might include such things as interpersonal communication skills, decision-making ability, conflict resolution skills, adaptability and self-motivation. Infosys Technologies, for example, is a role – based organisation now. This, in other words, means that every position in the organisation is defined in terms of skill-and attitude-based competencies.

[Business Today, Sept. 14,2003]

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.

1. **Job performance:** In this method, the job analyst actually performs the job in question. The analyst thus receives first-hand 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. **Personal observation:** The analyst 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 observation, certain precautions should be taken:

- The analyst must observe average workers during average conditions.
- The analyst should observe without getting directly involved in the job.
- The analyst must make note of the specific job needs and not the behaviours specific to particular workers.
- The analyst must make sure that he obtains a proper sample for generalisation.

This method allows for a deep understanding of job duties. It is appropriate for manual, short period job activities. On the negative side, the method fails to take note of the mental aspects of jobs.

3. **Critical incidents:** The critical incident technique (CIT) is a qualitative approach to job analysis used to obtain specific, behaviourally 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 analysed and classified according to the job areas they describe. The job requirements will become clear once the analyst draws the line between effective and ineffective behaviours 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 behaviour 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 of behaviour can be quite dissimilar, the process of classifying data into usable job descriptions can be difficult. The analysts overseeing the work must have analytical skills and ability to translate the content of descriptions into meaningful statements.
4. **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 organisation.

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.

BOX 18: GUIDELINES FOR CONDUCTING JOB ANALYSIS INTERVIEWS

- Put the worker at ease; establish rapport.
- Make the purpose of the interview clear.
- Encourage the worker to talk by using empathy creativity.
- Help the worker to think and talk according to the logical sequence of the duties performed.
- Ask the worker only one question at a time.
- Phrase questions carefully so that the answers will be more than just "yes" or "no".
- Avoid asking leading questions.

- Secure specified and complete information pertaining to the work performed and the worker's traits.
- Conduct the interview in plain, easy language.
- Consider the relationship of the present job to other jobs in the department.
- Control the time and subject matter of the interview.
- Be patient and considerate to the worker.
- Summarise the information obtained before closing the interview.
- Close the interview promptly.

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 interviewers' skills and may be faulty if they put ambiguous questions to workers. Last, interviewees 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.

5. **Panel of experts:** This method utilises senior job incumbents and superiors with extensive knowledge of the job. To get the job analysis information, the analyst conducts an interview with the group. The interaction of the members during the interview can add insight and detail that the analyst might not get from individual interviews.
6. **Diary method:** Several job incumbents are asked to keep diaries or logs of their daily job activities – according to this method – and record the amount of time spent on each activity. By analysing these activities over a specified period of time, a job analyst is able to record the job's essential characteristics. However, it is a time-consuming and costly exercise in that the analyst has to record entries for a painfully long time.
7. **Questionnaire method:** The questionnaire is a widely used method of analysing jobs and work. Here the job holders are given a properly designed questionnaire aimed at eliciting relevant job-related information. After completion, the questionnaires are handed over to supervisors. The supervisors can seek further clarifications on various items by talking to the job holders directly. After everything is finalised, the data is given to the job analyst.

The success of the method depends on various factors. The structured questionnaire must cover all job related tasks and behaviours. Each task or behaviour should be described in terms of features such as importance, difficulty, frequency, relationship to overall performance, etc. The job holders should be asked to properly rate the various job factors and communicate the same on paper. The ratings thus collected are then put to close examination with a view to find out the actual job requirements.

The Questionnaire method is highly economical as it covers a large number of job holders at a time. The collected data can be quantified and processed through a computer. The participants can complete the items leisurely. Designing questionnaires, however, is not an easy task. Proper care must be taken to frame the questions in such a way that the respondents are unlikely to misinterpret the questions. Further, it is difficult to motivate the participants to complete the questionnaires truthfully and to return them.

Some of the standard questionnaires that are widely used are discussed below.

1. The Position Analysis Questionnaire (PAQ)

The PAQ is a standardised questionnaire developed at Purdue University to quantitatively sample work-oriented job elements. It contains 194 items divided into six major divisions. The PAQ permits management to scientifically and quantitatively group interrelated job elements into job dimensions. These are explained below:

BOX 19: EMPLOYEE ACTIVITIES IN PAQ

1. **Information input:** Where and how does the employee get the information he/she uses in performing his/her job.
Examples:
Use of written materials.
Near-visual differentiation.
2. **Mental Processes:** What reasoning, decision making, planning and information-processing activities are involved in performing the job?
Examples:
Levels of reasoning in problem solving
Coding/decoding
3. **Physical activities:** What physical activities does the employee perform and what tools or devices does he/she use?
Examples:
Use of keyboard devices.
Assembling/disassembling.
4. **Relationships with other people:** What relationships with other people are required in performing the job?
Examples:
Instructing.
Contacts with public, customers.
5. **Job context:** In what physical and social context is the work performed?
Examples:
High temperature.
Interpersonal conflict situations.
6. **Other job characteristics:** What activities, conditions, or characteristics other than those described above are relevant to the job?
Examples:
Specified work pace.
Amount of job structure.

The activities shown above represent requirements that are applicable to all types of jobs. This type of quantitative questionnaire allows many different jobs to be compared with each other.

2. Management Position Description Questionnaire (MPDQ)

MPDQ is a standardised instrument designed specifically for use in analysing managerial jobs. The 274 item questionnaire contains 15 sections. It would take 2 ½ hours to complete the questionnaire. In most cases the respondents are asked to state how important each item is to the position.

Table 15: Management Position Description Factors

1. Product, marketing and financial strategy planning.
2. Coordination of other organisational units and personnel.
3. Internal business control.
4. Products and services responsibility.
5. Public and customer relations.
6. Advanced consulting.
7. Autonomy of actions.
8. Approval of financial commitments.
9. Staff service.
10. Supervision.
11. Complexity and stress.
12. Advanced financial responsibility.
13. Broad personnel responsibility.

Source: W.W. Tomov and P.R. Pinto, "The Development of a Managerial Job Taxonomy: A system for Describing, Classifying and Evaluating Executive Positions." *Journal of Applied Psychology* 61(1976).

3. Functional Job Analysis (FJA)

FJA is a worker-oriented job analysis approach that attempts to describe the whole person on the job. It tries to examine the fundamental components of "data, people and things". There are five steps to be followed:

- The first involves the identification of the organisation's goals for the FJA analysis. This analysis describes what should be, as well as, what is.
- The second step is the identification and description of tasks, wherein tasks are defined as actions. The task actions may be physical (operating a computer), mental (analysing data) or interpersonal (consulting another person). The task statements developed in FJA must conform to a specific written format.
- The third step deals with analysis of tasks. Each task is analysed using 7 scales. These include three worker function scales (data, people, things), a worker instruction scale(degree of supervision imposed) and three scales of reasoning, mathematics and language.
- In the fourth step, the analyst develops performance standards to assess the results of a worker's tasks.
- The final step deals with the development of training content needed by the job holder.

FJA is frequently used for government jobs. It provides a quantitative score of each job as a function of its complexity in relationship with people, data and things. The results are helpful in fixing wage rates and in developing employee succession plans. On the negative side, FJA takes a lot of time. Training in its use may mean considerable investment of money.

Which Method to Follow?

Experts agree that the choice of job analysis method depends upon the purposes to be served by the data. There is no one best way to conduct a job analysis. Wherever possible, multiple methods of job analysis must be followed. A quantitative approach

like Position Analysis Questionnaire (PAQ) should be supported by a qualitative approach like Critical Incident Technique (CIT).

Impact of Behavioural Factors on Job Analysis

While carrying out the job analysis, managers must take note of certain strong behavioural responses from the employees. Employees may not always like the idea of someone taking a hard look at their jobs. Let's examine the reasons behind such negative responses more closely.

- **Exaggerate the facts:** Employees and managers may exaggerate the importance and significance of their jobs during interviews. Because job analysis information is used for compensation purposes, both managers and employees hope that 'puffing up' their jobs will result in higher pay levels.
- **Employee anxieties:** Most employees fear that job analysis efforts may put them in a 'Strait-jacket', curbing their initiative and latitude to perform. Another reason for the negative attitude is the feeling that "as long as someone does not know precisely what I am supposed to be doing, then I am safe". A searching examination of jobs may uncover employee faults which might have escaped the employer's attention so far.
- **Resistance to change:** When jobs change in tune with changes in technology, there is an urgent need to revise job descriptions and job specifications – to make them more meaningful. This would have a significant impact on the safe and secure job worlds in which employees used to live comfortably. Employees resist such changes because when jobs are redefined, they may have to handle difficult tasks and shoulder painful responsibilities. To ward off such threats, managers must involve employees in the revision process, clearly stating the reasons for incorporating the latest changes.
- **Overemphasis on current efforts:** Job analysis efforts should not place heavy emphasis on what the employees are currently doing. Some employees may be gifted with unique capabilities and given a chance they may expand the scope of the job and assume more responsibilities. The company may have difficulty in finding someone like that person if he or she were to leave the company. Therefore, "the job description and job specifications should not be merely a description of what the person currently filling the job does".
- **Management 'Strait-jacket':** Job analysis efforts may put managers in a 'Strait-jacket', limiting their freedom to adapt to changing needs from time to time. To avoid this, they may even refuse to appropriately describe what an employee is supposed to do in the company – creating, of course, further confusion in the minds of employees.

Job Description

A job description (JD) is a written statement of what the job holder does, how it is done, under what conditions it is done and why it is done. It describes what the job is all about, throwing light on job content, environment and conditions of employment. It is descriptive in nature and defines the purpose and scope of a job. The main purpose of writing a job description is to differentiate the job from other jobs and state its outer limits.

Contents: A job description usually covers the following information:

- **Job title:** Tells about the job title, code number and the department where it is done.
- **Job summary:** A brief write-up about what the job is all about.
- **Job activities:** A description of the tasks done, facilities used, extent of supervisory help, etc.
- **Working conditions:** The physical environment of job in terms of heat, light, noise and other hazards.
- **Social environment:** Size of work group and interpersonal interactions required to do the job.

Table 16: Specimen of Job Description

Title	Compensation manager
Code	HR/2310
Department	Human Resource Department
Summary	Responsible for the design and administration of employee compensation programmes.
Duties	<ul style="list-style-type: none"> ● Conduct job analysis. ● Prepare job descriptions for current and projected positions. ● Evaluate job descriptions and act as Chairman of Job Evaluation Committee. ● Insure that company's compensation rates are in tune with the company's philosophy. ● Relate salary to the performance of each employee. Conduct periodic salary surveys. ● Develop and administer performance appraisal programme. ● Develop and oversee bonus and other employee benefit plans. ● Develop an integrated HR information system.
Working conditions	Normal. Eight hours per day. Five days a week.
Report to	Director, Human Resource Department.

Problems with Job Descriptions

Job Description serves as a valuable guide for both the employees and the employer. Employees know what they are supposed to do well in advance. Employers, on the other hand, can take collective steps when the duties covered by the job description are not performed as required. In actual practice, several problems crop up consciously or unconsciously while formulating job descriptions.

- It is not easy to reduce all the essential components of a job in the form of a clear and precise document.
- Job descriptions are sometimes not updated as job duties change.
- They can limit the scope of activities of the job holder, reducing organisational flexibility.

Writing Clear and Specific Job Descriptions

According to Ernest Dale, the following guidelines should be kept in mind while writing job descriptions:

- The JD should indicate the nature and scope of the job, including all important relationships.
- It should be brief, factual and precise; use active verbs such as collect mail, sort

out 'mail', 'distribute' mail, etc. Avoid statements of opinion. Give a clear picture of the job; explain all the duties and responsibilities of the job in greater detail.

- More specific words be chosen to show (i) the kind of work, (ii) the degree of complexity, (iii) the degree of skill required, (iv) the extent to which problems are standardised and (v) the degree and type of accountability.
- The extent of supervision available should also be clearly stated.
- The reporting relationships must also be clearly indicated (e.g., who reports to whom, frequency, etc.).

Mode of Writing

The job analyst has to write the JD after proper consultations with the worker and the supervisor. The preliminary draft about the job must be discussed in the presence of both the worker and the supervisor to uncover gaps, deficiencies, etc. The following method is suggested by an expert in this connection:

- Firstly, get the questionnaire about the job filled in by the immediate supervisor of the employee.
- Secondly, the job analyst must observe the actual work done by the employee and complete the job description form.
- Thirdly, every effort must be made to involve the employee and the supervisor while finalising the JD.
- Finally, keep the JD up-to-date by keeping track of changing conditions and incorporating the relevant ones as and when needed.

Job Specification

Job specification summarises the human characteristics needed for satisfactory job completion. It tries to describe the key qualifications someone needs to perform the job successfully. It spells out the important attributes of a person in terms of education, experience, skills, knowledge and abilities (SKAs) to perform a particular job. The job specification is a logical outgrowth of a job description. For each job description, it is desirable to have a job specification. This helps the organisation to determine what kind of persons are needed to take up specific jobs. The personal attributes that are described through a job specification may be classified into three categories:

- **Essential attributes:** skills, knowledge and abilities (SKAs) a person must possess.
- **Desirable attributes:** qualifications a person ought to possess.
- **Contra-indicators:** attributes that will become a handicap to successful job performance.

A job specification can be developed by talking with the current job holders about the attributes required to do the job satisfactorily. Opinions of supervisors could also be used as additional inputs. Checking the job needs of other organisations with similar jobs will also help in developing job specifications.

Job specification is useful in the selection process because it offers a clear set of qualifications for an individual to be hired for a specific job. Likewise, a well-written job specification offers a clear picture to new recruits of what they will be doing in the organisation. A specimen job specification is given below:

Table 17: Job Specification of Compensation Manager

Education	<ul style="list-style-type: none"> ● MBA with specialisation in HRM/MA in social work/PG Diploma in HRM/MA in industrial psychology. ● A degree or diploma in Labour Laws is desirable.
Experience	<ul style="list-style-type: none"> ● At least 3 years' experience in a similar position in a large manufacturing company.
Skill, Knowledge, Abilities	<ul style="list-style-type: none"> ● Knowledge of compensation practices in competing industries, of job analysis procedures, of compensation survey techniques, of performance appraisal systems. ● Skill in writing job descriptions, in conducting job analysis interviews, in making group presentations, in performing statistical computations ● Ability to conduct meetings, to plan and prioritise work.
Work Orientation Factors	<ul style="list-style-type: none"> ● The position may require upto 15 per cent travel.
Age	<ul style="list-style-type: none"> ● Preferably below 30 years.

Preparing a job specification is not always easy. Regarding the human resource requirements of a job, there is scope for disagreement. For a clerical job, one bank may demand high school education, another bank may demand the services of graduates or even post graduates. Differences may also crop up when stating an attribute as a 'desirable' or 'essential' qualification. To avoid further confusion as rightly pointed out by Mathis and Jackson, while "writing any job specification, it is important to list only those SKAs essential for job performance."

Role Analysis

At operative levels, it is possible to write job descriptions that reflect what workers do while at work. At middle and higher management levels, a clear definition of expected and unexpected job-related behaviour is not possible. Certain aspects of a manager's job (e.g., whether to take decisions in the absence of clear cut information, how to react to situations where workers confront them on the shop floor, whether to hire a person related to the Managing Director, etc.) may defy clear conceptualisation. Job analysis, in such cases, may be woefully inadequate to uncover the subtle, informal ways of doing things. It fails to capture the behavioural expectations of various groups (unions, colleagues, superiors, subordinates, general public, etc.) that influence the actions of a job holder. Over a period of time, the roles to be played by a job holder may undergo a complete transformation. Identifying important job related behaviours that may lead to effective performance, under the circumstances, proves to be a difficult exercise.

Role analysis provides a satisfactory answer to this problem. A role is a set of expectations people have about the behaviour of person in a position. A position holder may perform three types of roles in day-to-day life; namely the expected role, the perceived role and the actual role. The expected role is what other people expect from a person. For example, a college teacher is expected by his role partners (principal, colleagues, students) to come to the college and teach properly. The perceived role is how the individual thinks he should behave to fulfil the expected role. The teacher may think that he may be able to complete the given course in about a month's time and it is a sheer waste of time to be in the college all through the year. The enacted role or the actual role is the way the person actually behaves in an organisation. The college teacher, giving shape to his thoughts, might visit campus only once a week to handle his classes!

Now look at the conflicts that surface when the expectations of role partners remain contradictory. Take the supervisor's job. As a part of the management team, he must have corresponding values and attitudes (oversee the work of workers; do not allow mistakes; punish the deviants, etc.). As a member from the workers' group, he should have their values and attitudes (carry the opinions of workers 'upstairs', redress grievances quickly, etc.). He is expected to wear both the hats gracefully. Such role conflicts occur because of divergent role expectations. To complicate issues further, job description of supervisory role could be dissimilar in two organisations. In one organisation supervisors may enjoy lot of freedom and in the other, their hands might be tied. The job description might be the same but the actual roles played by the supervisors in both cases might be totally different! Changes in management philosophy, industrial relations climate, corporate culture may also affect the roles to be played by job holders in a significant way. It is therefore necessary to supplement the job analysis process with the role analysis in order to have a clear picture of what the job actually demands.

Role analysis involves the following steps:

- First, the objectives of the department and its functions must be identified.
- Second, the role incumbent is asked to state his key performance areas and his understanding of the roles to be played by him.
- Third, other role partners (boss, subordinate, peers, etc.) are asked to state their expectations from the role incumbent.
- Finally, the incumbent's role is clarified and expressed in black and white (called role description) after integrating the diverse viewpoints expressed by various role partners.

Role analysis brings about greater clarity in roles. The role incumbent knows what he is supposed to do on the job, keeping the perceptions of others about his job in mind. Role clarity, in turn, leads to improved performance on the job.

Job Analysis in a 'Jobless' World

Over the past few years, the concept of job has been changing quite dramatically. Employees do not like standardised, routinised operations. They do not like supervisors overseeing their work from close quarters. They want to be consulted on important aspects affecting their work. They want the work to be more meaningful, challenging and interesting. They like to work on jobs with "stretch, pull and challenge". So the concept of a job having well defined, clearly-delineated set of responsibilities is being increasingly questioned by present-day employees who are more knowledgeable and demanding.

Table 18: A Close look at the Jobs inside India's Best Workplaces

- **Sasken Communication Technologies:** Employees enjoy considerable freedom to think and innovate and work in their own style. There is absolutely no monitoring of anybody. There are no attendance registers and there is no limit on sick leaves. Every employee is trusted and management is transparent. There is no perk that CEO Rajiv Mody enjoys that a junior employee does not.
- **Hughes Software Systems:** HSS makes sure that all its employees get interesting breaks - these may take the shape of personality development programmes, cricket matches, literature clubs, or adventure activities. One of the employees even commented "If I don't like my boss, I can change my section."

- **Monsanto India:** Monsanto India is a flat organisation (three to four levels). Even these levels are often cut short through an open culture. Everyone sits in an open office. The workstations are the same size. The travel allowances are the same so are the refreshments of course it sets stiff targets for employees, but trains them with a rare rigour so that they get a fair shot at those. People identified as future leaders are rolled over challenging positions.
 - **Cadbury India:** Fun is serious business at Cadbury India. The HR manager's statement sums up the company's philosophy: "We believe that the day you stop enjoying work is the day you stop contributing. We make people stretch: but we make them stretch with a smile." The company firmly believes that a smile a day keeps the market blues away.
 - **Philips Software Centre:** The company's office in Bangalore, employees could have all the comforts in the world: a variety of cuisines, a creche, a gymnasium, bunker beds for naps, gym instructor, doctor, psychological counsellor, a dietician. It is a whole new world of work, play, study and rest. Not surprisingly, senior executives remain glued to their seats even after office hours. The company had to come out with an order recently stating that nobody should stay in the office after 9 p.m. without sufficient reason!
- (Snapshots from the Business World's Great Places to Work Survey, 6. 12. 2004)

Certain techniques that have helped in redefining jobs in this manner may be worth mentioning here:

- a. **Flatter organisations:** Most progressive organisations have opted in favour of trimming the 'flab' at the top level, reducing the traditional pyramidal structures to barely three or four levels. As the remaining managers are left with more people reporting to them, they can supervise them less, so the jobs of subordinates end up bigger in terms of both breadth and depth of responsibilities (Dessler, p. 83).
- b. **Work teams:** Yesterday's jobs were dominated by the rigidity associated with them. Workers performed the same tasks daily. Now the situation is different. Work itself is increasingly organised around teams and processes rather than around specialised functions. Cross-functional, self-directed teams handle different jobs at different points of time. Individuals will work with other workers for a specified period of time and then take up another project. The project can be in the organisation as well as outside it. Workers will perform their duties as members of project teams, not necessarily as members of a particular department within the organisation.
- c. **The boundaryless organisation:** In a boundaryless organisation, the boundaries that typically separate organisational functions (production, marketing, finance, etc.) and hierarchical levels are reduced and made more permeable. Cross-functional teams are created and used widely. Employees are encouraged to get rid of "It is not my job" kind of attitudes. The focus, instead, is put on defining the job in a flexible way, keeping the best interests of the organisation in the background.
- d. **Reengineering:** Reengineering brings about a radical, quantum change in an organisation. It requires organisational members to rethink what work should be done, how it is to be done and how to best implement these decisions. Reengineering is achieved in several ways:

- Specialised jobs are combined and enlarged.
- Each person's job is made more interesting and challenging. Supervisory checks are reduced. Employees are allowed to oversee their own work.
- Workers are made collectively responsible for overall results rather than individually responsible for just their own tasks.
- The primary focus is on the customer and building an organisation structure that is production friendly. Workers are empowered to use more decision-making authority while carrying out work in small teams.

Summary

- Jobs are important to individuals as well as organisations. They are subject to change.
- Job Analysis is a systematic investigation of the tasks, duties and responsibilities necessary to do a job.
- Job analysis information is useful for a variety of organisation purposes ranging from human resource planning to career counselling.
- Seven general techniques are generally used to collect job analysis data: job performance, observation, critical incidents, interview, panel of experts, diary logs and questionnaire method.
- Behavioural factors such as the tendency to exaggerate facts, employee anxieties, resistance to change, overemphasis on current efforts etc., must be taken care of while carrying out a job analysis.
- The end products of job analysis are (a) Job descriptions, a written statement of what the job holder does, and (b) job specifications, which list the knowledge, skills and abilities (KSAs) required to perform a job satisfactorily.
- In recent times, the traditional way of jobs having a clearly-delineated set of duties and responsibilities is being increasingly questioned. Trends such as flatter organisations, work teams, re-engineering efforts have virtually compelled employees to be prepared for playing multiple roles while at work.

Terminology

- **Job:** A group of positions similar in their significant duties such as technical assistants, computer programmers, etc.
- **Task:** An identifiable work activity carried out for a specific purpose. For example, typing a letter.
- **Duty:** Several tasks which are related by some sequence of events. For example, pick up, sort out and deliver incoming mail.
- **Position:** A collection of tasks and duties which are performed by one person. For example, the P.A. to Principal receives visitors, takes dictation, operates computer, answers queries, attends to complaints and helps students.
- **Job families:** Groups of different jobs that need similar skills. For example, sales jobs and clerical jobs in different departments.
- **Job code:** A job code uses numbers, letters or both to provide a quick summary of a job and its content.

- **Job classification:** The grouping of jobs on some basis such as the nature of work done or the level of pay. For example, skilled, semiskilled and unskilled; Grade I, II and III officers in a Bank.
- **Job analysis:** The process of gathering information about a job.
- **PAQ:** Position analysis questionnaire is a standardised form used to collect specific information about job tasks and worker traits.
- **MPDQ:** Management position description questionnaire is a standardised form designed to analyse managerial jobs.
- **Functional job analysis:** It is a systematic process of finding what is done on a job by examining and analysing the fundamental components of data, people and things.
- **Job specification:** A profile of the human characteristics (knowledge, skills and abilities) needed by a person doing a job.

References

1. W.F. Cascio, "Managing Human Resources", New Delhi, Tata McGraw Hill, 2003.
2. K.P. Carson, G.L. Stewart. "Job Analysis and the Sociotechnical Approach to Quality: A Critical Examination", Journal of Quality Management, 1996.
3. R.J. Harvey, "Job Analysis" in M.D. Dunnette and L.M. Hough (ed), Handbook of Industrial and Organisational Psychology, Palo Alto, C.A., Consulting Psychologists Press, 1991.
4. S. Gael(ed), "The Job Analysis Handbook for Business", Vol I and II. New York, John Wiley & Sons, 1988.
5.
 - G. Dessler, "Human Resource Management", New Delhi, Prentice Hall of India, 2004.
 - H.J. Bernardin, "Human Resource Management", New Delhi, Tata McGraw Hill, 2003.
6. K.P. Carson and G.L. Stewart, "Job Analysis and Sociotechnical Approach to Quantity: A Critical Examination", Journal of Quality Management, No. 1996.
7.
 - R.L. Mathis, J.H. Jackson, "Human Resource Management", Cincinnati, Ohio, South Western College Publishing, 2003.
 - G. Bohlander et al., "Managing Human Resources", Cincinnati, Ohio, South Western College Publishing, 2004.
8.
 - J.B. Nelson, "The Boundaryless Organisation : Implications for Job Analysis", Human Resource Planning, 20, 1997.
 - E.E. Lawler III, "From Job-Based to Competency-based Organisation", Journal of Organisational Behaviour, 15, 1994.

Internet Sources

1. www.jobdescription.com
2. For job analysis/personality research visit the following:
<http://harvey.psyc.vt.edu/>

Review Questions

1. Distinguish between job analysis, job description, job specification and role analysis.
2. What is job analysis? Describe the techniques used for analysing jobs.
3. What is job description? Describe its features. How would you prepare a job description? Explain through an example.
4. Write notes on:
 - Uses of job analysis
 - Job analysis interview
 - Position analysis questionnaire
 - Functional job analysis
 - Job specification
5. Distinguish between job description and job specification. What precautions should be taken while preparing them?
6. Construct a form for a sample job description. Why is a job description necessary before developing a job specification?
7. Describe the process involved in conducting a job analysis.
8. Describe three methods of analysing jobs, including some advantages and disadvantages of each method.
9. Why is job analysis the foundation of many other HR activities?
10. Why is a competency-based job analysis more difficult to conduct than the traditional task-based approach?

Discussion Questions

1. In your opinion, what are some of the important reasons for the deep changes we are seeing in the way jobs are done?
2. Explain how you would carry out a job analysis in a company that had never had job descriptions.
3. Place yourself in the position of being the head of a service department. How might formally written job requirements help you manage your work unit?
4. 'Although systematic in nature, a job description is still at best a subjective result of a job analysis.' Why or why not? Discuss.
5. Are job descriptions really necessary? What would happen if a company decided not to use any job descriptions at all?

Test Your Understanding

A. Multiple Choice Questions – Select the most appropriate one

1. Which of the following is not offered in a job analysis?
 - a. worker attributes
 - b. performance appraisals

- c. working conditions
 - d. job specifications
 - e. job description
2. The advantage of employing various methods of job analysis is
- a. cost
 - b. complexity
 - c. accuracy
 - d. time
 - e. participation by job incumbents and managers
3. Job descriptions should be reviewed by
- a. supervisors
 - b. job incumbents
 - c. human resource department
 - d. none of the above
 - e. all of the above
4. A job analysis questionnaire should include all but the following
- a. job evaluation
 - b. performance standards
 - c. job duties
 - d. job status
 - e. working conditions
5. The main advantage of developing a job analysis questionnaire is
- a. consistency
 - b. cost
 - c. saves time
 - d. allowing untrained people to collect information
 - e. no advantage

B. True/False Questions

Put True/False in the blank space given below:

- _____ 1. Supervisors should not be involved in job analysis.
- _____ 2. Feedback is highly discouraging.
- _____ 3. Job descriptions are little more than a list of tasks.
- _____ 4. Jobs are the means of accomplishing organisational objectives.
- _____ 5. Job analysis is an informal examination of jobs.
- _____ 6. Job analysis helps in forecasting human resource requirements.
- _____ 7. Jobs are generally evaluated by groups, not individuals.

- _____ 8. Job specification spells out the chief attributes of a job.
- _____ 9. Operating managers require recorded job information.
- _____ 10. Job information influences most human resource activities.
- _____ 11. Jobs are not static.
- _____ 12. The time needed to complete every task in the job is called a job cycle.
- _____ 13. The study of how human beings physically interface with their work is called 'ergonomics'.
- _____ 14. Grouping a limited number of tasks into a job is known as specialisation.
- _____ 15. Accurate performance standards can contribute to employee satisfaction.

Answers

A. Multiple Choice Questions

1. b, 2. c, 3. e, 4. a, 5. a

B. True/False

1. T, 2. F, 3. F, 4. T,
5. F, 6. T, 7. T, 8. F,
9. F, 10. T, 11. T, 12. T,
13. T, 14. T, 15. T

Exercises/Activities

1. Working with a group of three or four students, collect at least five different job descriptions from reputed organisations operating in your area. Compare the descriptions, highlighting similarities and differences.
2. Working, individually or in groups, develop a job description for 'Head-Retail Banking in respect of a fast growing, new generation private sector bank operating in all major metros in India. Based on that, use your analytical skills and judgement to develop a job specification. Compare your conclusions with those of other students or groups. Were there any major differences? If yes, explain the reasons briefly.

METHODS OF MANPOWER SEARCH

O U T L I N E

- | | |
|----|---------------------------------|
| 1. | Methods of Recruitment |
| 2. | Recruitment: Indian Experiences |

Methods of Recruitment

The following are the most commonly used methods of recruiting people.

Internal Methods*Promotions and Transfers*

Many organisations prefer to fill vacancies through promotions or transfers from within wherever possible. Promotion involves movement of an employee from a lower level position to a higher level position accompanied by (usually) changes in duties, responsibilities, status and value. The Tatas, the Birlas and most multinationals (e.g. HLL's Lister programme tracking star performers at an early stage and offering stimulating opportunities to grow vertically) have fast-track promotion systems in place. The credo now is reward performance, but promote competency. In the recent past, the AV Birla group has placed over 200 people through the fast-tracker system (promoting star performers quickly). A transfer, on the other hand, involves lateral movement within the same grade, from one job to another. It may lead to changes in duties and responsibilities, working conditions, etc., but not necessarily salary. Internal promotions and transfers certainly allow people greater scope to experiment with their careers, kindling ambitions and motivating them to take a shot at something they might otherwise never have considered. The system, of course, works best for young executives who are willing to take risks.

Job Posting

Job posting is another way of hiring people from within. In this method, the organisation publicises job openings on bulletin boards, electronic media and similar outlets. Hindustan Lever introduced its version of open job postings in early 2002 and over 40 positions have since been filled through the process. HLL even allows its employees to undertake career shifts, for example from technical positions to non-technical jobs such as marketing, market research etc., through the open job posting system. The AV Birla group allows its employees an opportunity to apply not just for jobs within their own companies, but for jobs in any company in the Birla group both in India and abroad.

BOX 20: MOULDING TALENT FOR ALL SYSTEMS

<p>Texas Instruments (India) is willing to back employees who want to make the career shift. It recently created a new group in the wireless domain and first advertised for the jobs internally. Several hardware designers applied for the jobs which were essentially software. Even though these are advertised internally, TI ensures that the selection process is fair. An employee's boss does not know, he is applying for a job until the person accepts the offer [See Great Places to Work Survey 2004, B. World, 6.12.2004]</p>
--

One of the important advantages of this method is that it offers a chance to highly qualified applicants working within the company to look for growth opportunities within the company without looking for greener pastures outside.

Employee Referrals

Employee referral means using personal contacts to locate job opportunities. It is a recommendation from a current employee regarding a job applicant. The logic behind employee referral is that "it takes one to know one". Employees working in the organisation, in this case, are encouraged to recommend the names of their friends working in other organisations for a possible vacancy in the near future. In fact, this has become a popular way of recruiting people in the highly competitive Information Technology industry nowadays. Companies offer rich rewards also to employees whose recommendations are accepted – after the routine screening and examining process is over – and job offers extended to the suggested candidates. Citibank, for example, offers Rs. 50,000 to its employees for every vacancy filled up by the bank on the basis of their referral. Birla 3M also has an incentive-based employee referral programme in place. Infotech companies such as Polaris Software Labs, Cognizant Technology Solutions, Cisco Systems etc., have even discovered that the stickiness of employees joining through referral scheme is quite high.

BOX 21: POSSIBLE BENEFITS AND COSTS OF EMPLOYEE REFERRALS

- Recommender gives a realistic picture about the job. The applicant can weigh the pros and cons carefully before handing over the CV. The applicant is more likely to accept an offer if one is made and once employed, to have a higher job survival.
- It's an excellent means of locating potential employees in those hard-to-fill positions. The recommender earns a reward and the company can avoid expensive recruiting search – in case the candidate gets selected.
- Recommenders may confuse friendship with job competence. Factors such as bias, nepotism, and eagerness to see their friends in the company may come in the way of hiring a suitable candidate.

To obtain effective results, the details of a referral scheme should percolate down to all levels using various means such as posters, e-mails, kick off parties, etc. Employees should understand that they are being entrusted with a critical task. And those making a referral should get prompt feedback so that they come back with more referrals. An upper limit for the number of referrals and the rewards to be doled out could be fixed in advance to avoid any disappointment in this regard later on. Every attempt, however should be made to ensure quality. The firm should constantly measure the quality and performance of employees recruited through the programme. Finally, when the firm decides to shut down the programme, it should give advance notice and clearly communicate the reason for doing so.

Direct Methods

Campus Recruitment

It is a method of recruiting by visiting and participating in college campuses and their placement centres. Here the recruiters visit reputed educational institutions such as IITs, IIMs, colleges and universities with a view to pick up job aspirants having requisite technical or professional skills. Job-seekers are provided information about the jobs, and the recruiters, in turn, get a snapshot of job-seekers through constant interchange of information with respective institutions. A preliminary screening is done within the campus and the shortlisted students are then subjected to the remainder of the selection process. In view of the growing demand for young managers, most reputed organisations

(such as Hindustan Lever Ltd, Proctor & Gamble, Citibank, State Bank of India, Tata and Birla group companies) visit IIMs and IITs regularly and even sponsor certain popular campus activities with a view to earn goodwill in the job market. Advantages of this method include: the placement centre helps locate applicants and provides resumes to organisations; applicants can be prescreened; applicants will not have to be lured away from a current job and lower salary expectations. On the negative front, campus recruiting means hiring people with little or no work experience. The organisations will have to offer some kind of training to the applicants, almost immediately after hiring. It demands careful advance planning, looking into the 'placement weeks' of various institutions in different parts of the country. Further, campus recruiting can be costly for organisations situated in another city (airfare, boarding and lodging expenses of recruiters, site visit of applicants if allowed, etc.).

If campus recruiting is used, steps should be taken by the Human Resource Department to ensure that recruiters are knowledgeable concerning the jobs that are to be filled in the organisation and understand and employ effective interviewing skills. Campus recruiting, however, is not easy. Some common mistakes committed by recruiters may be listed thus:

BOX 22: COMMON MISTAKES MADE IN CAMPUS RECRUITING

- Failure to utilise a full-time professional recruiter: Often recruitment is used as a training experience for new employees. This results in rapid turnover in the recruitment office.
- The recruiter is not professionally trained in interviewing: Professionally trained as used here means a minimum training period of three days of principles and practices using live interviews that are audio or videotaped and critiqued.
- The recruiter does not have the authority to make decisions with regard to hiring: Often this is reserved for the boss, who does not know how to conduct an evaluation interview.
- The actual plant visit is mishandled: Recruits are left waiting for scheduled appointments, constant interruptions occur during the visit, arrangements by the institute may not be upto the mark, prior shortlisting of students is not arranged, etc.
- The recruiter does not get involved in the development of the new employee: Because the recruiter often has the best rapport with the new employee, he or she should become involved.

Source: R.W. Walers, "Want to be a Pro?" J1. Of College Placement, 1976.

Guidelines for Campus Recruiting: Radhika Dhawan offered the following guidelines covering campus recruitment efforts of well-known companies in India thus:

- **Shortlist campuses:** The campuses whose curricula and specialisation match the needs of a company are short listed in advance. Asian Paints, for instance, evaluates the education standards of all leading B-Schools, including the quality of classroom education, the strengths of the faculty, and the depth of support systems like libraries, computerised referencing et al. It also scans the entrance tests of these schools to find whether the admitted students are intellectually superior. The schools that fit its stringent standards are on its list every year.
- **Choose recruiting team carefully:** The recruiting team should consist of senior executives, having a thorough knowledge of the company and the job. The

composition of the team generally shows how seriously the management takes campus recruitment. To create a favourable impression, for example, HCL Technologies Ltd CEO Shiv Nadar addresses the students himself. Alumni from the B-school from which the firm wants to hire people could also be used to get a positive response.

- **Pay smartly, not highly:** Since compensation is not the most important factor at the beginning of one's career, the recruiting firm should focus attention on a compensation package that is competitive and in line with industry practices. For example, there is one thing all prospective Honeywell Technology Solutions Lab (HTSL) employees in Bangalore are told clearly while they are being interviewed: the company is not trying to match the best salaries in the industry. But then the company has something that other companies can't offer. New recruits find the recognition system, the work culture and the learning opportunities a big attraction.
- **Present a clear image:** Companies such as Procter and Gamble, Nestle present a clear image of how they help the new recruits build a promising career within short span of time "come, grow with us" is the theme that they sell to prospective candidates who are in search of interesting, challenging work assignments. (Rather than assignments cushioned with rewards and benefits).
- **Do not oversell yourself:** There is no point in overselling the idea of a learning environment or a best pay master etc., through inflated claims. Instead, facts must be presented in a frank way, throwing light on how performance gets rewarded and competencies are nurtured carefully.
- **Get in early:** Leading companies try to identify their students as early as possible and build fruitful relationships with them through various ways (like selecting summer trainees carefully, putting the trainees on live projects, assessing their abilities early, offering job offers on the spot etc., as in the case of P&G). Offering scholarships, endowing chairs, sending managers as coaches to teach on campus are also being passionately pursued with a view to forge a bond with students.
- **Not everyone fits the bill:** To avoid disappointments at a later stage, the recruiting company should try to verify the career plans, aspirations and expectations of recruit-elects and recheck everything objectively before extending the job offers.

Indirect Methods

Advertisements

These include advertisements in newspapers; trade, professional and technical journals; radio and television; etc. In recent times, this medium has become just as colourful, lively and imaginative as consumer advertising. The ads generally give a brief outline of the job responsibilities, compensation package, prospects in the organisation, etc. This method is appropriate when (a) the organisation intends to reach a large target group and (b) the organisation wants a fairly good number of talented people – who are geographically spread out. To apply for the advertised vacancies, let's briefly examine the wide variety of alternatives available to a company – as far as ads are concerned:

- **Newspaper ads:** Here it's easy to place job ads without much of a lead time. It has flexibility in terms of information and can conveniently target a specific geographic location. On the negative side, newspaper ads tend to attract only

those who are actively seeking employment at that point of time, while some of the best candidates who are well paid and challenged by their current jobs may not be aware of such openings. As a result, the company may be bombarded with applications from a large number of candidates who are marginally qualified for the job – adding to its administrative burden. To maintain secrecy for various reasons (avoiding the rush, sending signals to competitors, cutting down expenses involved in responding to any individual who applies, etc.), large companies with a national reputation may also go in for blind-box ads in newspapers, especially for filling lower level positions. In a blind-box ad, there is no identification of the advertising organisation. Job aspirants are asked to respond to a post office box number or to an employment firm that is acting as an agent between the job seeker and the organisation.

- **Television and radio ads:** These ads are more likely to reach individuals who are not actively seeking employment; they are more likely to stand out distinctly, they help the organisation to target the audience more selectively and they offer considerable scope for designing ads creatively. However, these ads are expensive. Also, because television or radio is simply seen or heard, potential candidates may have a tough time remembering the details, making application difficult.

Third Party Methods

Private Employment Search Firms

A search firm is a private employment agency that maintains computerised lists of qualified applicants and supplies these to employers willing to hire people from the list for a fee. Firms like Arthur Anderson, Noble and Hewitt, ABC consultants, SB Billimoria, KPMG, Ferguson Associates offer specialised employment-related services to corporate houses for a fee, especially for top and middle level executive vacancies. At the lower end, a number of search firms operate – providing multifarious services to both recruiters and the recruitees.

Private search firms have many plus points to their credit. They have many contacts and are especially good at contacting qualified, currently employed candidates who are not actively looking to change jobs. They can keep the firm's name confidential till the deal is struck. They can advertise vacancies on their own, pre-screen hundreds of applicants and identify the right candidates in a highly professional way. On the negative side, the fees charged by search firms could be very high, sometimes over 30 per cent of the annual salary for the position to be filled. Again, some search firms may be more interested in persuading a firm to hire a candidate than in finding one who can deliver the results.⁸ To get the best out of a search firm, it is necessary to follow certain guidelines: (i) Make sure the firm is capable of carrying out a thorough search (ii) Meet the person(s) who actually handle the assignment and explain fully what sort of candidate is required and why (iii) Find how much the search firm charges and get everything in writing (iv) Before striking the deal, meet the search firm's clients and find whether the firm has completed recent assignments satisfactorily, in a silent and secret way.

Employment Exchanges

As a statutory requirement, companies are also expected to notify (wherever the Employment Exchanges Act, 1959, applies) their vacancies through the respective Employment Exchanges, created all over India for helping unemployed youth, displaced persons, ex-military personnel, physically handicapped, etc. As per the Act, all

employers are supposed to notify the vacancies arising in their establishments from time to time – with certain exemptions – to the prescribed employment exchanges before they are filled. The Act covers all establishments in public sector and nonagricultural establishments employing 25 or more workers in the private sector. However, in view of the practical difficulties involved in implementing the provisions of the Act (such as filing a quarterly return in respect of their staff strength, vacancies and shortages, returns showing occupational distribution of their employees, etc.) many organisations have successfully fought court battles when they were asked to pick up candidates from among those sponsored by the employment exchanges.

Gate Hiring and Contractors

Gate hiring (where job seekers, generally blue collar employees, present themselves at the factory gate and offer their services on a daily basis), hiring through contractors, recruiting through word-of-mouth publicity are still in use – despite the many possibilities for their misuse – in the small scale sector in India.

Unsolicited Applicants/Walk-ins

Companies generally receive unsolicited applications from job seekers at various points of time. The number of such applications depends on economic conditions, the image of the company and the job seeker's perception of the types of jobs that might be available etc. Such applications are generally kept in a data bank and whenever a suitable vacancy arises, the company would intimate the candidate to apply through a formal channel. One important problem with this method is that job seekers generally apply to a number of organisations and when they are actually required by the organisation, either they are already employed in other organisations or are simply not interested in the position. The walk-ins, in any case, should be treated courteously and diplomatically, for the sake of both the recruiting company's community image and the applicant's self-esteem.

Internet Recruiting

In recent years most companies have found it useful to develop their own website and list job openings on it. The website offers a fast, convenient and cost effective means for job applicants to submit their resume through the Internet. Infosys Technologies Ltd., for example, gets over 1000 resumes a day from prospective candidates through the Net. The resumes are then converted into a standard format using the software that the company has developed for short listing candidates according to a set criteria such as alma mater, qualifications, experience etc. The HR manager has to key in his or her requirement and 'profiles' of candidates from the company's database get generated. There are a variety of websites available – in addition to a company's own website – where applicants can submit their resumes and potential employers can check for qualified applicants, (such as (i) www.jobsahead.com (ii) www.headhunters.com (iii) www.naukri.com (iv) www.monsterindia.com (v) www.mafoi.com (vi) www.abccconsultants.net (vii) www.datamaticsstaffing.com (viii) www.timesjobs.com etc.) Internet recruiting, as mentioned earlier, generates fast, cost-effective, timely responses from job applicants from different parts of the world. And that's where the problem lies: the website might be flooded with resumes from unqualified job seekers. Applications may also come from geographic areas that are unrealistically far away.

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:

BOX 23: ALTERNATIVES TO RECRUITMENT

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 if, for any reason, these payments do not accrue regularly, employees become resentful and disgruntled.

Subcontracting: To meet a sudden increase in demand for its products and services, the firm may sometimes 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.

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 specialising in providing such services. It's a big business idea in United States these days (\$3-\$4 billion industry). In this case the firm can avoid the expenses of recruitment and the painful effects of absenteeism, labour 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.

Employee leasing: Hiring permanent employees of another company who possess certain specialised 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.

Outsourcing: Any activity in which a firm lacks internal expertise and requires an unbiased opinion can be outsourced. Many businesses have started looking at outsourcing activities relating to recruitment, training, payroll processing, surveys, benchmark studies, statutory compliance etc., more closely, because they do not have the time or expertise to deal with the situation. HR heads are no longer keeping activities like resume management and candidate sourcing in their daily scrutiny. This function is more commonly outsourced when firms are in seasonal business and have cyclical staffing needs.

Evaluation of the Sources of Recruitment

Companies have to evaluate the sources of recruiting carefully – looking at cost, time, flexibility, quality and other criteria – before earmarking funds for the recruitment process. They cannot afford to fill all their vacancies through a particular source. To facilitate the decision-making process in this regard, companies rely on the following:

Time lapse data (TLD): They show the time lag between the date of requisition for manpower supply from a department to the actual date of filling the vacancies in that department. For example, a company's past experience may indicate that the average number of days from application to interview is 10, from interview to offer is 7, from offer to acceptance is 10 and from acceptance to report for work is 15. Therefore, if

the company starts the recruitment and selection process now, it would require 42 days before the new employee joins its ranks. Armed with this information, the length of the time needed for alternative sources of recruitment can be ascertained – before pinning hopes on a particular source that meets the recruitment objectives of the company.

Yield ratios: These ratios indicate the number of leads/contacts needed to generate a given number of hires at a point at time. For example, if a company needs 10 management trainees in the next six months, it has to monitor past yield ratios in order to find out the number of candidates to be contacted for this purpose. On the basis of past experience, to continue the same example, the company finds that to hire 10 trainees, it has to extend 20 offers. If the interview-to-offer ratio is 3:2, then 30 interviews must be conducted. If the invitees to interview ratio is 4:3 then, as many as 40 candidates must be invited. Lastly, if contacts or leads needed to identify suitable trainees to invite are in 5:1 ratio, then 200 contacts be made. Based on this information, the company can construct the recruiting yield ratio, as shown below:

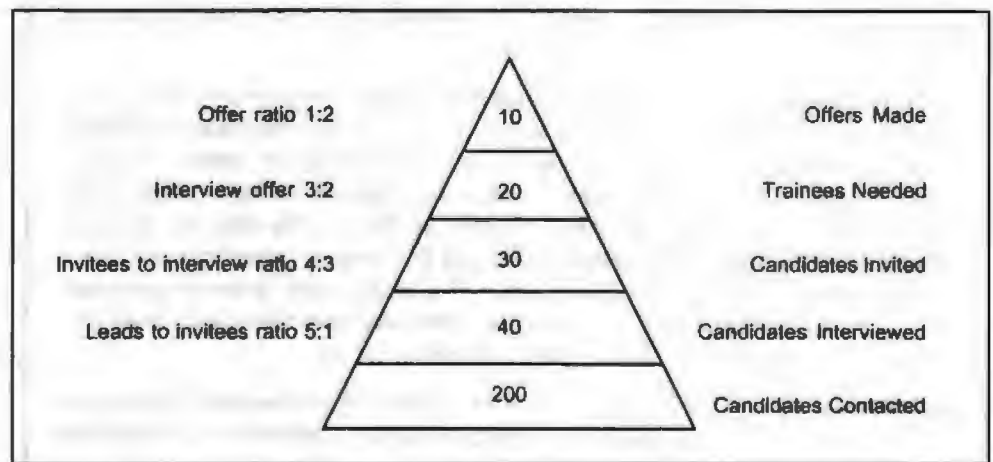


Figure 10: Recruiting Yield Pyramid

Surveys and studies: Surveys may also be conducted to find out the suitability of a particular source for certain positions. For example, as pointed out previously, employee referral has emerged as a popular way of hiring people in the Information Technology industry in recent times in India. Correlation studies could also be carried out to find out the relationship between different sources of recruitment and factors of success on the job. In addition to these, data on employee turnover, grievances, disciplinary action would also throw light on the relative strengths of a particular source of recruitment for different organisational positions. Before finally identifying the sources of recruitment, the human resource managers must also look into the cost of hiring a candidate. The cost per hire can be found out by dividing the recruitment cost by the number of candidates hired.

Recruitment Policies and Procedures

One of the first steps in planning for the recruitment of employees into the organisation is to establish proper policies and procedures. A recruitment policy indicates the organizations’ code of conduct in this area of activity. A typical policy statement for recruitment may run thus:

BOX 24: RECRUITMENT POLICY STATEMENT

In its recruitment activities, the company will:

- Advertise all vacancies internally
- Reply to every job applicant promptly
- Inform job applicants the basic details and job conditions of every job advertised
- Process all applications with efficiency and courtesy
- Seek candidates on the basis of their qualifications
- Aim to ensure that every person invited for interview will be given a fair and thorough hearing

The company will not:

- Discriminate unfairly against potential applicants on the basis of sex, race, religion, caste, etc.;
- Knowingly make any false or exaggerated claims in its recruitment literature or job advertisements

Once the recruitment policy is made explicit, the company can evolve a detailed procedure to make the whole exercise systematic. Such a systematic approach will enable people within (or outside) the organisation to follow a predictable path. The recruitment procedures should, however, be flexible enough to permit HR department to respond quickly to demands made on them by various departments and by potential candidates. Recruitment, it should be remembered, is a marketing activity as well as a public relations exercise. When recruiting people, organisations are going out into their external environment and competing with others for suitable candidates. Such activities, therefore, should be conducted in a manner that sustains or enhances the prestige and public image of the organisation concerned. Fair and objective recruitment policies and standards would add to the image of the organisation in the long run. One way in which managers engaged in recruiting people can follow a systematic approach is to adopt a checklist such as the one given below:

BOX 25: QUESTIONS TO BE ADDRESSED WHILE HIRING PEOPLE

- Has the vacancy been agreed by a responsible manager?
- Is there an up-to-date job description for the vacancy?
- What are the conditions of employment for the vacancy (salary, hours of work, fringe benefits, perquisites, holidays, etc.)?
- Has a personnel specification/candidate's profile (in terms of physique, intelligence, aptitude, qualifications experience, etc.) been prepared?
- Has a notice of the vacancy been circulated internally?
- Has a job advertisement been agreed? Have details of the vacancy been forwarded to relevant agencies?
- Do all potential candidates (internal or external) know where to apply and in what form?
- What are the arrangements for drawing up a shortlist of candidates?
- What about the interviewing dates and arrangements for selection of candidates?
- Have the shortlisted candidates or waitlisted candidates been informed sufficiently in advance and asked to furnish detailed references?
- Have unsuitable candidates or waitlisted candidates been informed of their position in a polite way thanking them for their interest and attendance?

Recruitment: Indian Experiences

The experiential guide brought out by Business Today, Jan 7-21, 1996, summarising the results of a path-breaking survey of Indian industries, commented thus about the recruitment function: "Woven into strategic planning, recruitment no longer involves short-term vacancy-filling measures or the annual ritual of campus recruitment. Translating corporate strategies into a manpower plan and developing a long-term hiring programme accordingly, corporations are tracking down people with the combination of knowledge, experience, skills and behaviour best suited to achieving the company's objectives".

What do Indian companies expect from job seekers?

The expectations of recruiters are inextricably intertwined with the corporate culture in which they operate. They are in line with the overall philosophy of the company in question. Let's summarise these in capsule form thus:

BOX 26: RECRUITMENT OF TRAINEES: EXPECTATIONS OF INDIAN COMPANIES

Pepsi: Pepsi is a flat organisation. There are a maximum of four reporting levels. Executives here emphasise achievement, motivation, the ability to deliver come what may. As the Personnel Manager of Pepsi Foods remarked "we hire people who are capable of growing the business rather than just growing with the business". Recruits must be capable of thinking outside the box, cutting the cake of conventional barriers whenever and wherever necessary. They must have a winner's mindset and a passion for creating a dynamic change. They must have the ability to deal with ambiguity and informality.

Reebok: As Reebok's customers are young, the company places emphasis on youth. The average age at Reebok is 26 years. Employees are expected to have a passion for the fitness business and reflect the company's aspirations. Recruits should be willing to do all kinds of job operations. The willingness to get one's hands dirty is important. They must also have an ability to cope with informality, a flat organisation and be able to take decisions independently and perform consistently with their clearly defined goals.

Indian Hotels: The Taj group expects the job aspirants to stay with the organisation patiently and rise with the company. Employees must be willing to say 'yes sir' to anybody. Other criteria include: communication skills, the ability to work long and stressful hours, mobility, attention to personal appearance and assertiveness without aggression.

In a recent survey carried out by a leading search firm, Executive Access, recruiting companies demanded the following skills of the B-school graduates, in the following order of importance:

Skills Recruiters Want

1. Ability to work in a team
2. Analytical and problem-solving skills
3. Communication and other soft skills
4. Creativity and resourcefulness
5. Leadership potential
6. General Managerial skills
7. Entrepreneurial skills

Summary

- Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. Certain influences restrain (the freedom of) managers while choosing a recruiting source such as : image of the

company, attractiveness of the job, internal policies, budgetary support, government policies, etc.

- Recruitment is influenced by a variety of environmental factors – economic, social, technological, political, legal, etc.
- The sources of recruitment may be broadly divided into two categories: internal sources and external sources. Both have their own merits and demerits.
- A firm may choose a particular recruiting method such as job posting, employee referral, campus hiring, advertisements, private search firms or internal promotions and transfers etc., depending on the skills required, the nature of the job and budgetary support, etc.
- Alternatives such as overtime, subcontracting, temporary employees, employee leasing and outsourcing could also be employed to cut down recruiting costs.
- Companies generally rely on time lapse data, yield ratios, surveys etc., to evaluate the sources of recruiting carefully.
- Recruiters these days expect B-School graduates to possess certain special skills such as ability to work in a team, problem-solving, creativity and communication skills, in addition to strong leadership potential.

Terminology

- **Recruitment:** The discovering of potential applicants for actual or anticipated organisational vacancies.
- **Transfer:** A lateral movement within the same grade, from one job to another.
- **Promotion:** Movement of an employee from a lower level position to a higher level position with increase in salary.
- **Executive search:** Hiring search firm/head-hunter to track candidates.
- **Employee referral:** A recommendation from a current employee regarding a job applicant.
- **College placements:** An external search process focusing recruiting efforts on a college campus.
- **Campus recruiting:** Visiting specific-skill institutes to hire graduates.
- **Internal advertising:** Informing employees of vacancies internally.
- **Media advertising:** Inviting applications by placing ads in media.
- **Job analysis:** A systematic investigation into the tasks, duties and responsibilities of a job.
- **Inducements:** Positive features and benefits offered by an organisation to attract job applicants.
- **Yield ratio:** Indicates the number of contacts required to generate a given number of hires at a point of time.
- **Employee leasing:** Hiring permanent employees of another company on lease basis for a specific period as per the leasing arrangement.
- **Temporary employees:** Employees hired for a limited time to perform a specific job.

- **Outsourcing:** Letting outside vendors provide services.
- **Selection:** Picking up suitable candidates by rejecting the unsuitable.
- **Job posting:** It is a method of publicising job openings on bulletin boards, electronic media and similar outlets by a company.

References

1. A. Barver, "Recruiting Employees", Thousand Oaks, CA : Sage, 1998.
2. W.F. Cascio, "Managing Human Resources", New Delhi, Tata McGraw Hill, 2004.
3. D.A. Decenzo, S.P. Robbins, "Personnel/Human Resource Management", New Delhi, Prentice Hall, 2004.
4. ● D. Ganguly, "Making the Grade", Economic Times, 19 July, 2002.
 - A. Vaidyanathan, "Who will get the Hot seat?" Economic Times, 17-23 Nov, 2000.
 - A. Vaidyanathan and S. Sen, "Lever's Lister," Economic Times, 17-23 Nov, 2000.
 - J. Daum, "Internal Promotion - Psychological Assetor Devit", Organisational Behaviour and Human Performance, 13, 1975.
5. † D. Ganguly op. cit, 19 July, 2002.
6. ● A. Bargerstock, H. Engel, "Six ways to Boost Employee Referral Programs", HR Magazine, December, 1998.
 - K. Swenson, "Maximising Employee referrals", HR Focus, 76, Jan. 1999.
 - B. Leonard, "Employee referral should be cornerstone of staffing efforts", HR News, August 1999.
 - G. Cherian, "Employee Referral Programme", Economic Times, 1 June, 2000.
 - M. Anand, "Hiring Sticky Workers", Business World, 18 June, 2001.
7. R. Dhawan, "How to Recruit on Campus?", Business Today, Jan 7-21, 1996.
8. ● C. Mc Greary, "Get the most out of search Firms", Workforce, 76, August 1997.
 - M. Armstrong, "A Handbook of Personnel Management Practice", London, Kogan Press, 1995.
9. V.S.P. Rao and V. Harikrishna, "Strategic Management", New Delhi, Excel Books, 2003.
10. R. Schreyer and J. McCarter, "10 + steps to Effective Internet Recruiting", HR Focus, 75, 1998.
11. ● V. Jindal, "HR Outsourcing: Few Takers for this Sunrise Sector", The Time of Hinda, 10.10.2003.
 - P. Mehra, "Outsourcing HR: Does it Work?", The Hindustan Times, 15 Feb, 2001.
12. N. Gill, "The Mystery of the Vanishing Recruiters", Business World, 22 Sept, 2003.

Internet Sources

(a) Websites of leading placement consultants in India

- www.abccconsultants.com
- www.afferguson.com
- www.cengrow.com
- www.datamaticstaffing.com
- www.hrdclub.com
- www.jobfocusonline.com
- www.mafoi.com
- www.people-one.com
- www.perfectjob4u.com
- www.spectrumconsultants.com
- www.jobsflow.com
- www.resourceindia.com

(b) Websites of popular search agencies in India

- www.naukri.com
- www.jobsahead.com
- www.monsterindia.com
- www.timesjobs.com
- www.headhuntersindia.com

Review Questions

1. Describe briefly the various steps that are involved in hiring human resources in an organisation.
2. What are the various sources of recruitment? How can an organisation evaluate the worth of these sources?
3. Outline the legal, economic, social and political considerations in recruitment.
4. List the most important merits and demerits of various sources of recruitment.
5. Discuss some ways by which firms can make campus recruiting more effective.
6. What factors influence the degree to which a firm will engage in recruiting?
7. What specific factors will restrain managers' freedom to recruit and select a candidate of their choice?
8. What are the advantages and disadvantages of recruiting through (i) internal search, (ii) employee referrals, (iii) unsolicited walk-ins?

Discussion Questions

1. Discuss what key recruiting issues should be looked into by HR executives at a mid-sized bank with locations in several cities. Give examples and be specific.

2. What should be considered in evaluating the recruiting efforts of a big departmental store with over 20 branches in key metropolitan cities all over a country?
3. How would you help a firm that wants to improve its campus hiring efforts?
4. What background information should a recruiter have before beginning to recruit job seekers?
5. If you were responsible for hiring someone for your job, which recruitment sources would you use? Why? Which recruitment sources would you avoid? Why?

Test Your Understanding

A. Multiple Choice Questions

1. The best way of recruiting is always
 - (a) walk-ins
 - (b) advertisements
 - (c) search firms
 - (d) variable
 - (e) referrals
2. The most common constraints on recruiting include all but
 - (a) image of a firm
 - (b) budgetary support
 - (c) interviewing
 - (d) organisational policies
 - (e) government policies
3. The primary source of information for recruiting is
 - (a) managerial interviews
 - (b) testing
 - (c) recruiters themselves
 - (d) interviews with applicants
 - (e) job analysis
4. A good source of hiring technical staff would be
 - (a) private search firm
 - (b) vocational school
 - (c) employment exchange
 - (d) professional association
 - (e) rival firms
5. A negative aspect of promotion from within is
 - (a) lower morale

- (b) employee turnover
- (c) career prospects
- (d) idea stagnation
- (e) employee dissatisfaction

B. True/False Questions

1. The recruiting process begins with human resource planning and concludes with evaluation of recruiting efforts.
2. Recruitment is a mere vacancy-filling function
3. Employment exchanges are important sources of clerical and managerial personnel.
4. If a job opening to be filled is very attractive, most prospective candidates may turn indifferent and do not even apply.
5. In practice, recruitment methods seem to vary according to job level and skill.
6. The basic purpose of recruiting is to develop a group of potentially qualified people.
7. Government politics often comes in the way of recruiting people.
8. Modern employees look for a satisfying career in place of 'just a job'.
9. A search firm is a government agency that maintains a computerised list of qualified applicants.
10. Hiring costs could go up substantially when a firm hires candidates from within.

C. Key Terms Exercise

Match the term below with its appropriate definition. Place the letter of the correct definition in the space to the left of the term.

- | | | | |
|----------|--------------------|-----|--|
| 1. _____ | Recruitment | (a) | A lateral movement within the same grade from one job to another. |
| 2. _____ | Employee Referral | (b) | Indicates the number of leads/contacts needed to generate a given number of hires at a point of time. |
| 3. _____ | Campus Recruitment | (c) | The process of finding and attracting capable applicants for employment. |
| 4. _____ | Selection | (d) | A private employment agency that works for the employer and maintains lists of qualified candidates. |
| 5. _____ | Job Posting | (e) | The process of picking individuals who have relevant qualifications to fill jobs in an organisation. |
| 6. _____ | Transfer | (f) | It is a method of recruitment by visiting and participating in college campuses and placement centres. |
| 7. _____ | Employee Leasing | (g) | Casual unsolicited applicants who reach the employer by letter, telephone or in person. |

- 8. _____ Walk-ins (h) In this method a firm publicises job openings on bulletin boards, electronic media and similar outlets.
- 9. _____ Search Firm (i) Hiring permanent employees of another firm, who possess certain specialised skills on lease basis to meet short-term requirements.
- 10. _____ Yield Ratio (j) It is a recommendation from a current employee regarding a job applicant.

Answers

A. Multiple Choice Questions

- 1. d, 2. c, 3. e, 4. b, 5. d

B. True/False Questions

- 1. T, 2. F, 3. F, 4. F,
- 5. T, 6. T, 7. T, 8. T,
- 9. F, 10. F

C. Key Terms Exercise

- 1. c, 2. j, 3. f, 4. e,
- 5. h, 6. a, 7. i, 8. g,
- 9. d, 10. b

ATTRACTING AND SELECTING HUMAN RESOURCES

O U T L I N E

1. Introduction
2. Definition
3. Purpose
4. The Process

Introduction

The size of the labour market, the image of a company, the place of posting, the nature of job, the compensation package and a host of other factors influence the manner in which job aspirants are likely to respond to the recruiting efforts of a company. Through the process of recruitment, a company tries to locate prospective employees and encourages them to apply for vacancies at various levels. Recruiting, thus, provides a pool of applicants for selection.

Definition

To select means to choose. Selection is the process of picking individuals who have relevant qualifications to fill jobs in an organisation. The basic purpose is to choose the individual who can most successfully perform the job, from the pool of qualified candidates.

Purpose

The purpose of selection is to pick up the most suitable candidate who would best meet the requirements of the job and the organisation – in other words, to find out which job applicant will be successful, if hired. To meet this goal, the company obtains and assesses information about the applicants in terms of age, qualifications, skills, experience, etc. The needs of the job are matched with the profile of candidates. The most suitable person is then picked up after eliminating the less suitable applicants through successive stages of the selection process. How well an employee is matched to a job is very important because it directly affects the amount and quality of the employee's work. Any mismatch in this regard can cost an organisation a great deal in terms of money, time and trouble, especially, by way of training and operating costs. In course of time, the employee may find the job distasteful and leave in frustration. He may even circulate 'hot news' and juicy bits of negative information about the company, causing incalculable harm in the long run. Effective selection, therefore, demands constant monitoring of the 'fit' between the person and the job.

The Process

Selection is usually a series of hurdles or steps. Each one must be successfully cleared before the applicant proceeds to the next. Figure 11 outlines the important steps in the selection process of a typical organisation. The time and emphasis placed on each step will of course vary from one organisation to another and, indeed, from job to job within the same organisation. The sequencing of steps may also vary from job to job and organisation to organisation. For example, some organisations may give importance to testing, while others may emphasise interviews and reference checks. Similarly, a single brief selection interview might be enough for applicants for lower level positions, while applicants for managerial jobs might be interviewed by a number of people.

Reception

A company is known by the people it employs. In order to attract people with talent, skills and experience, a company has to create a favourable impression on the applicants right from the stage of reception. Whoever meets the applicant initially should be tactful and able to extend help in a friendly and courteous way. Employment possibilities must be presented honestly and clearly. If no jobs are available at that point of time, the applicant may be asked to contact the HR department after a suitable period of time has elapsed.

Screening Interview

A preliminary interview is generally planned by large organisations to cut the costs of selection by allowing only eligible candidates to go through the further stages in selection. A junior executive from the HR Department may elicit responses from applicants on important items determining the suitability of an applicant for a job such as age, education, experience, pay expectations, aptitude, location choice, etc. This 'courtesy interview', as it is often called, helps the department screen out obvious misfits. If the department finds the candidate suitable, a prescribed application form is given to the applicants to fill and submit.

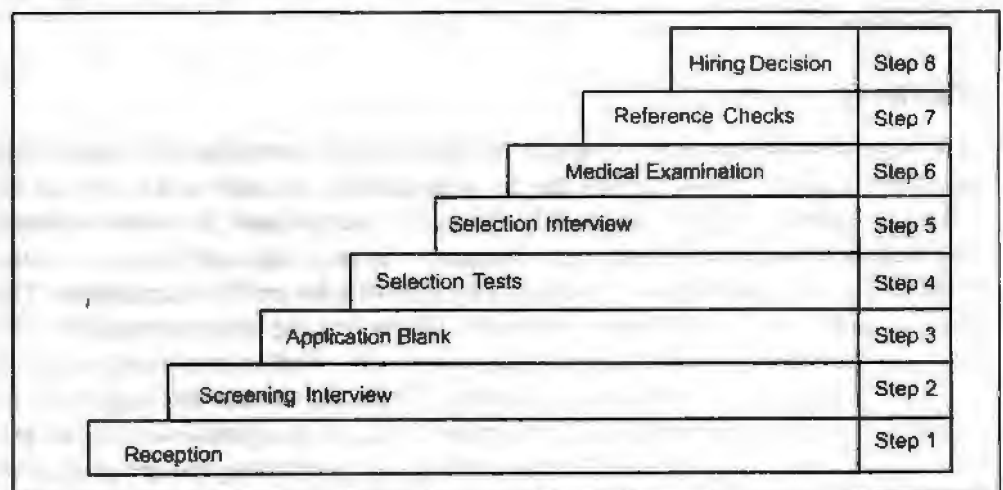


Figure 11: HRM as a Central Subsystem in an Enterprise

Application Blank

Application blank or form is one of the most common methods used to collect information on various aspects of the applicants' academic, social, demographic, work-

related background and references. It is a brief history sheet of an employee's background, usually containing the following things:

Table 19: Contents of Application Blanks

Even when applicants come armed with elaborate resumes, it is important to ask the applicants to translate specific resume material into a standardised application form. Job seekers tend to exaggerate, or overstate their qualifications on a resume. So it's always better to ask the applicant to sign a statement that the information contained on the resume or application blank is true and that he or she accepts the employer's right to terminate the candidate's employment if any of the information is found to be false at a later date.

Weighted Application Blanks (WABs)

To make the application form more job-related, some organisations assign numeric values or weights to responses provided by applicants. Generally, the items that have a strong relationship to job performance are given high scores. For example, for a medical representative's position, items such as previous selling experience, marital status, age, commission earned on sales previously, etc., may be given high scores when compared to other items such as religion, sex, language, place of birth, etc. The total score of each applicant is obtained by summing the weights of the individual item responses. The resulting scores are then used in the selection decision. The WAB is best suited for jobs where there are many workers, especially for sales and technical jobs and it is particularly useful in reducing turnover. There are, however, several problems associated with WABs. It takes time to develop such a form. The cost of developing a WAB could be prohibitive if the organisation has several operating levels with unique features. The WAB must be "updated every few years to ensure that the factors previously identified are still valid predictors of job success". And finally, the organisation should be careful not to depend on weights of a few items while selecting an employee.

Usefulness

Application blank is a highly useful selection tool, in that it serves three important purposes:

1. It introduces the candidate to the company in a formal way.
2. It helps the company to have a cross-comparison of applicants; the company can screen and reject candidates if they fail to meet the eligibility criteria at this stage itself.
3. It can serve as a basis for initiating a dialogue at the interview.

Name: _____
 Address: _____
 Phone Number (Res): _____
 Education
 College/University Attended: _____ Highest Degree (a) BA/BSc/MA/MSc/MBA/MCom
 (b) BE/BTech/ MTech
 (c) Any other
 High School Attended: _____
 Work Experience (List most recent jobs first)
 Name of the Organisation: _____
 Gross Salary: _____ (annual; be sure to include any bonuses or commission earned)
 Job Title: _____
 Name of Last Supervisor: _____
 May we contact this supervisor? Yes / No
 Reason(s) for Leaving: _____

Name of Organisation: _____ Date of Employment: _____ from to _____
 Gross Salary: _____ (annual; be sure to include any bonuses or commission earned)
 Job Title: _____
 Name of Last Supervisor: _____
 May we contact this supervisor? Yes / No
 Reason(s) for Leaving: _____

Name of Organisation: _____ Date of Employment: _____ from to _____
 Gross Salary: _____ (annual; be sure to include any bonuses or commission earned)
 Job Title: _____
 Name of Last Supervisor: _____
 May we contact this supervisor? Yes / No
 Reason(s) for Leaving: _____

Work skills
 1. List any job-related languages you are able to speak or write: _____
 2. List any job-related clerical (e.g., typing) or technical skills (e.g., computer programming) that you have:
 A. _____ B. _____
 C. _____

Additional information
 In case of an emergency, please contact.
 Name: _____
 Address: _____
 Telephone: _____

I understand that falsification of information is grounds for dismissal.
 I understand that my employment at the company may be discontinued at any time for any reason either by myself or by the company.
 I agree to submit to a drug and/or alcohol test as a condition of employment.

Signature _____ Date _____

Selection Testing

Another important decision in the selection process involves applicant testing and the kinds of tests to use. A test is a standardised, objective measure of a person's behaviour, performance or attitude. It is standardised because the way the test is carried out, the environment in which the test is administered and the way the individual scores are

calculated – are uniformly applied. It is objective in that it tries to measure individual differences in a scientific way, giving very little room for individual bias and interpretation.

Over the years, employment tests have not only gained importance but also a certain amount of inevitability in employment decisions. Since they try to objectively determine how well an applicant meets job requirements, most companies do not hesitate to invest their time and money in selection testing in a big way. Some of the commonly used employment tests may be stated thus:

1. **Intelligence tests:** These are mental ability tests. They measure the incumbent's learning ability and also the ability to understand instructions and make judgements. The basic objective of intelligence tests is to pick up employees who are alert and quick at learning things so that they can be offered adequate training to improve their skills for the benefit of the organisation. Intelligence tests do not measure any single trait, but rather several abilities such as memory, vocabulary, verbal fluency, numerical ability, perception, spatial visualisation, etc., Stanford-Binet test, Binet-Simon test, The Wechsler Adult Intelligence Scale are examples of standard intelligence tests. Some of these tests are increasingly used in competitive examinations while recruiting graduates and post-graduates at entry level management positions in Banking, Insurance and other Financial Services sectors.
2. **Aptitude tests:** Aptitude tests measure an individual's potential to learn certain skills – clerical, mechanical, mathematical, etc. These tests indicate whether or not an individual has the ability to learn a given job quickly and efficiently. In order to recruit efficient office staff, aptitude tests are necessary. Clerical tests, for example, may measure the incumbent's ability to take notes, perceive things correctly and quickly locate things, ensure proper movement of files, etc. Aptitude tests, unfortunately, do not measure on-the-job motivation. That is why the aptitude test is administered in combination with other tests, like intelligence and personality tests.
3. **Personality tests:** Of all the tests required for selection, personality tests have generated lot of heat and controversy. The definition of personality, methods of measuring personality factors and the relationship between personality factors and actual job criteria have been the subject of much discussion. Researchers have also questioned whether applicants answer all the items truthfully or whether they try to respond in a socially desirable manner. Regardless of these objections, many people still consider personality as an important component of job success.

Personality tests are used to measure basic aspects of an applicant's personality such as motivation, emotional balance, self-confidence, interpersonal behaviour, introversion, etc. The most frequently used tests are the Minnesota Multiphasic Personality Inventory (MMPL), the California Psychological Inventory, the Manifest Anxiety Scale, Edwards Personal Performance Schedule, etc. Some of the items in personality inventory run thus:

Table 20: Personality Inventory & Items

	True	False
Evil spirits possess me at times	_____	_____
I believe I am being followed	_____	_____
I am fascinated by fire	_____	_____
I have never indulged in any unusual sex practices	_____	_____
I am a special agent of God	_____	_____
I day-dream very little	_____	_____

There are three types of PIP tests: projective (personality), interests and preferences. Let's examine these in detail.

- a. **Projective tests:** These tests expect the candidates to interpret problems or situations based on their own motives, attitudes, values, etc. Many personality tests are projective in nature. A picture is presented to the person taking the test who is then asked to interpret or react to it. Since the pictures are clouded, the person's interpretation must come from inside – and thus get projected. The person supposedly projects into the picture his or her own emotional attitudes, motives, frustrations, aspirations and ideas about life. Standard tests are also frequently used to assess the personality of the testee. For example, in the Thematic Appreciation Test, the testee is shown a picture and is asked to make up a story based on the picture. The responses are analysed and a profile of personality is developed. However, projective tests have been under attack since they are unscientific and often reveal the bias of the test evaluator, particularly if he is not properly trained.
 - b. **Interest tests:** These are meant to find how a person in tests compare with the interests of successful people in a specific job. These tests show the areas of work in which a person is most interested. The basic idea behind the use of interests tests is that people are most likely to be successful in jobs they like. These tests could be used as effective selections tools. Obviously if you can select people whose interests are roughly the same as those of successful investments by using, say the Strong-Campbell inventory, in the jobs for which you are recruiting, it is more likely that the applicants will be more successful in their new jobs. The chief problem with using the interest tests for selection purposes is that responses to the questions are not always sincere.
 - c. **Preference tests:** These tests try to compare employee preferences with the job and organisational requirements. The job diagnostic survey developed by Hackman and Oldham, is an example of a preference test. This test shows how people differ in their preferences for achievement, meaningfulness, discretion etc., in their jobs.
4. **Achievement tests:** These are designed to measure what the applicant can do on the job currently, i.e., whether the testee actually knows what he or she claims to know. A typing test shows typing proficiency, a shorthand test measures the testee's ability to take dictation and transcribe, etc. Such proficiency tests are also known as work sampling tests. Work sampling is a selection test wherein the job applicant's ability to do a small portion of the job is tested. These tests are of two types; Motor, involving physical manipulation of things (e.g., trade tests for carpenters, plumbers, electricians) or Verbal, involving problem situations that are primarily language-oriented or people-oriented (e.g., situational tests for supervisory jobs).

Since work samples are miniature replicas of actual job requirements, they are difficult to fake. They offer concrete evidence of the proficiency of an applicant as against his ability to do the job. However, work-sample tests are not cost effective, as each candidate has to be tested individually. It is not easy to develop work samples for each job. Moreover, it is not applicable to all levels of the organisation. For managerial jobs it is often not possible to develop a work sample test that can take one of all the full range of managerial abilities.

5. **Simulation tests:** Simulation exercise is a test which duplicates many of the activities and problems an employee faces while at work. Such exercises are commonly used for hiring managers at various levels in an organisation. To assess the potential of a candidate for managerial positions, assessment centres are commonly used.
6. **Assessment centre:** An assessment centre is an extended work sample. It uses procedures that incorporate group and individual exercises. These exercises are designed to simulate the type of work which the candidate will be expected to do. Initially a small batch of applicants come to the assessment centre (a separate room). Their performance in the situational exercises is observed and evaluated by a team of 6 to 8 trained assessors. The assessors' judgements on each exercise are compiled and combined to have a summary rating for each candidate being assessed. The assessment centre approach, thus, evaluates a candidate's potential for management on the basis of multiple assessment techniques, standardised methods of making inferences from such techniques, and pooled judgements from multiple assessors.

Work Sample	Assessment Centre
<ul style="list-style-type: none"> • Suitable for routine, repetitive jobs with visible outcomes • Takes a few minutes to test the applicant • Evaluated by one supervisor • Can be done on location where the applicant performs a small segment of the job • Usually completed on one applicant at a time 	<ul style="list-style-type: none"> • Suitable for managerial jobs, the outcomes are not behaviourally observable • Takes days to conduct various exercises • Evaluated by a team of trained observers • Requires a separate facility. The centres are conducted for a variety of task segments (that may not be the real job) that may be included in the real job • Usually performed on groups of applicants at the same time

Initially, a small batch of applicants come to the assessment centre (a separate room). Examples of the simulated exercises based on real-life, included in a typical assessment centre are as follows:

- a. **The in-basket:** Here the candidate is faced with an accumulation of reports, memos, letters and other materials collected in the in-basket of the simulated job he is supposed to take over. The candidate is asked to take necessary action within a limited amount of time on each of these materials, say, by writing letters, notes, agendas for meetings, etc. The results of the applicant's actions are then reviewed by the evaluators. In-baskets are typically designed to measure oral, and written communication skills, planning, decisiveness, initiative and organisation skills.
- b. **The leaderless group discussion (LGD):** This exercise involves groups of managerial candidates working together on a job-related problem. The problem is generally designed to be as realistic as possible and is tackled usually in groups of five or six candidates. A leader is not designated for the group, but one usually emerges in the course of the group interaction. Two or more assessors typically observe the interaction as the group tries to reach consensus on a given problem. The LGD is used to assess dimensions such as oral communication, tolerance for stress, adaptability, self-confidence, persuasive ability, etc.
- c. **Business games:** Here participants try to solve a problem, usually as members of two or more simulated companies that are competing in the market place. Decisions might include how to advertise and produce, how to penetrate the market, how much to keep in stock, etc. Participants thereby exhibit planning

and organisational abilities, interpersonal skills and leadership abilities. Business games may be simple (focussing on very specific activities) or complex models of complete organisational systems. They may be computer-based or manually operated, rapidly programmed or flexible. In computer-based games, participants typically draw up plans for an organisation to determine such factors as the amount of resources to allocate for advertising, product design, selling and sales effort. The participants arrive at a number of decisions, and then the computer tells them how well they did in comparison to competing individuals or teams. Business games have several merits: they reduce time, events that might not take place for months or years are made to occur in a matter of hours. They are realistic and competitive in nature. They also offer immediate feedback.

- d. *Individual presentations:* Participants are given a limited amount of time to plan, organise and prepare a presentation on an assigned topic. This exercise is meant to assess the participant's oral communication skill, self-confidence, persuasive abilities, etc.
- e. *Structured interview:* Evaluators ask a series of questions aimed at the participant's level of achievement, motivation, potential for being a 'self-starter' and commitment to the company.

Evaluation of Assessment Centre Technique

The assessment centre technique has a number of advantages. The flexibility of form and content, the use of a variety of techniques, standardised ways of interpreting behaviour and pooled assessor judgements account for its acceptance as a valuable selection tool for managerial jobs. It is praised for content validity and wide acceptance in corporate circles. By providing a realistic job preview, the technique helps a candidate make an appropriate career choice. The performance ratings are more objective in nature and could be readily used for promotion and career development decisions. However, the method is expensive to design and administer. Blind acceptance of assessment data without considering other information on candidates (past and current performance) is always in advisable.

7. *Graphology tests:* Graphology involves using a trained evaluator to examine the lines, loops, hooks, strokes, curves and flourishes in a person's handwriting to assess the person's personality and emotional make-up. The recruiting company may, for example, ask applicants to complete application forms and write about why they want a job. These samples may be finally sent to a graphologist for analysis and the results may be put to use while selecting a person. The use of graphology, however, is dependent on the training and expertise of the person doing the analysis. In actual practice, questions of validity and just plain scepticism have limited its use.
8. *Polygraph (lie-detector) tests:* The polygraph (The lie detector consists of a rubber tube around the chest, a cuff round the arm, and sensors attached to the fingers that record the physiological changes in the examinee as the examiner puts questions that call for an answer of yes or no) records physical changes in the body as the test subject answers a series of questions. It records fluctuations in respiration, blood pressure and perspiration on a moving roll of graph paper. The polygraph operator forms a judgement as to whether the subject's response was truthful or deceptive by examining the biological movements recorded on the paper. Polygraphs, despite strong resistance by many applicants, are increasingly being used by companies which have problems with inventory and security of funds. Government agencies have begun to use the polygraph, though

in a limited way, after the passage of the Employee Polygraph Protection Act in USA in 1988, especially for filling security, police, fire and health positions. Critics, however, question the appropriateness of polygraphs in establishing the truth about an applicant's behaviour. The fact is that polygraph records biological reaction in response to stress and does not record lying or even the conditions necessarily accompanying lying. Is it possible to prove that the responses recorded by the polygraph occur only because a lie has been told? What about those situations in which a person lies without guilt (a pathological liar) or lies believing the response to be true? The fact of the matter is that polygraphs are neither reliable nor valid. Since they invade the privacy of those tested, many applicants vehemently oppose the use of polygraph as a selection tool.

9. *Integrity tests:* These are designed to measure employee's honesty to predict those who are more likely to steal from an employer or otherwise act in a manner unacceptable to the organisation. The applicants who take these tests are expected to answer several 'yes' or 'no' type questions, such as:

Table 21: Typical Integrity Questions

Typical Integrity Questions	Yes	No
• Have you ever told a lie?		
• Do you report to your boss if you know of another employee stealing from the store?		
• Do you carry office stationery back to your home for occasional use?		
• Do you mark attendance for your colleagues also?		

Often these tests contain questions that repeat themselves in some way and the evaluator then examines the consistency in responses. Companies that have used integrity tests have reported success in tracking employees who indulge in 'theft'. However, these tests ultimately suffer from the same weaknesses as polygraph and graphology tests.

Tests as Selection Tools

Tests are useful selection devices in that they uncover qualifications and talents that can't be detected otherwise. They can be used to predict how well one would perform if one is hired, why one behaves the way one does, what situational factors influence employee productivity, etc. Tests also provide unbiased information that can be put to scientific and statistical analysis.

However, tests suffer from sizeable errors of estimate. Most psychological tests also have one common weakness, that is, we can't use scales which have a known zero point and equal intervals. An intelligence test, for example starts at an arbitrary point, where a person may not be able to answer questions properly. This does not mean that the person is totally lacking in intelligence. Likewise, a person who is able to answer all the 10 questions correctly cannot be called twice as intelligent as one who is able to answer only 5 questions correctly. If the test has commenced at some other point, where there were easier questions, their scores might have been different. Tests also fail to elicit truthful responses from testees. To compound the problem further, test results are interpreted in a subjective way by testers and unless these testers do their homework well, the results may not be reliable.

Standards for Selection Tests

To be useful as predictive and diagnostic selection tools, tests must satisfy certain basic requirements:

Reliability: test scores should not vary widely under repeated conditions. If a test is administered to the same individual repeatedly, he should get approximately identical scores. Reliability is the confidence that an indicator will measure the same thing every time. "A yardstick that measures me 60 inches tall everytime I use it is reliable". Generally speaking HR managers should choose instruments that have the following types of reliability:

Test-retest reliability: where the technique gives the same results when administered repeatedly to the same person. For example, if a person takes the same hearing test twice during the week and receives the same result, the test-retest reliability is high.

Inner-rater reliability: where the instrument gives the same results when used by two or more different raters. For example, if two supervisors interview the same worker and evaluate the worker similarly, the interview has high inner-rater reliability.

Intra-rater reliability: where the technique gives the same results when repeatedly used by the same rater to rate the same behaviours or attitudes at different times.

Validity: validity is the extent to which an instrument measures what it intends to measure. In a typing test, validity measures a typist's speed and accuracy. To determine whether it really measures the speed and accuracy of a typist is to demonstrate its validity. The question of determining the validity of a selection test, thus, has a lot to do with later performance on the job (known as criterion; a selection tool such as a test or an interview is referred to as a predictor and what it measures – job performance – is a criterion). If a person has done well both in selection and subsequently on the job, the test of selection would be accepted as a valid 'technique for selection'.

There are three types of validity important in the selection and recruitment of human resources. Content validity is the degree to which the content of the test represents the actual work situation. For example, a typing test has high content validity for a typist. Construct validity is the degree to which a specific trait is related to successful job performance. For example, honesty would be important for a bank cashier. Criterion related validity is the degree to which a specific selection tool accurately predicts the important elements of work. (Job performance or criterion). Criterion related validity is subdivided into two types: predictive and concurrent. Predictive validity involves picking a criterion predictor such as a test, administering the test to the entire pool of job applicants and then hiring people to fill the vacancies without taking their test scores into account. At a later date, the test scores are correlated with the criterion of job success to find out whether those people with high test scores performed substantially better than those with low test scores. This kind of validation is not frequently used because it is costly and slow. To use this, a large number of new employees must be hired at the same time without regard to their test scores. This would mean hiring both good and bad employees. Further, for criteria to be predictive, all new employees must have equivalent orientation or training. Concurrent validity involves identifying a criterion predictor such as a test, administering the test to present employees and correlating the test scores with the present employees' performance on the job. A high degree of correlation indicates (e.g., $r = +0.80$ or higher) that the tests can be used for hiring future employees.

Qualified people: Tests require a high level of professional skills in their administration and interpretation. Professional technicians are needed for skilled judgmental interpretations of test scores.

Preparation: A test should be well-prepared. It should be easy to understand and simple to administer.

Suitability: A test must fit the nature of the group on which it is applied. A written test comprising difficult words would be fruitless when it is administered on less educated workers.

Usefulness: Exclusive reliance on any single test should be avoided, since the results in such a case are likely to be criticised. To be useful, it is always better to use a battery of tests.

Standardisation: Norms for finalising test scores should be established. There must be prescribed methods and procedures for administering the test and for scoring or interpreting it.

Selection Testing in India

The following Box 28 throws light on how the global giants use selection testing as a basis for picking up right candidates to fill the vacancies arising internally:

BOX 28: SELECTION PRACTICES OF GLOBAL GIANTS

1. **Siemens India:** It uses extensive psychometric instruments to evaluate short-listed candidates. The company uses occupational personality questionnaire to understand the candidate's personal attributes and occupational testing to measure competencies.
2. **LG Electronics India:** LG Electronics uses 3 psychometric tests to measure a person's ability as a team player, to check personality types and to ascertain a person's responsiveness and assertiveness.
3. **Arthur Anderson:** While evaluating candidates, the company conducts critical behavioural interviewing which evaluates the suitability of the candidate for the position, largely based on his past experience and credentials.
4. **Pepsico India:** The company uses India as a global recruitment resource. To select professionals for global careers with it, the company uses a competency-based interviewing technique that looks at the candidate's abilities in terms of strategising, lateral thinking, problem-solving, managing the environment. These apart, Pepsi insists that to succeed in a global posting, these individuals possess strong functional knowledge and come from a cosmopolitan background.

Source: Business Today, April 7-21, 2000, p. 129.

Selection Interview

Interview is the oral examination of candidates for employment. This is the most essential step in the selection process. In this step, the interviewer tries to obtain and synthesise information about the abilities of the interviewee and the requirements of the job. Interview gives the recruiter an opportunity to:

- size up the interviewee's agreeableness;
- ask questions that are not covered in tests;
- obtain as much pertinent information as possible;
- assess subjective aspects of the candidate – facial expressions, appearance, nervousness and so forth;
- make judgements on interviewee's enthusiasm and intelligence;
- give facts to the candidate regarding the company, its policies, programmes, etc., and promote goodwill towards the company.

Types of Interviews

Several types of interviews are commonly used depending on the nature and importance of the position to be filled within an organisation.

- **The non-directive interview:** In a non-directive interview, the recruiter asks questions as they come to mind. There is no specific format to be followed. The questions can take any direction. The interviewer asks broad, open-ended questions such as 'tell me more about what you did on your last job' – and allows the applicant to talk freely with a minimum of interruption. Difficulties with a non-directive interview include keeping it job-related and obtaining comparable data on various applicants.
- **The directive or structured interview:** In the directive interview, the recruiter uses a predetermined set of questions that are clearly job-related. Since every applicant is asked the same basic questions, comparison among applicants can be made more easily. Structured questions improve the reliability of the interview process, eliminate biases and errors and may even enhance the ability of a company to withstand legal challenge. On the negative side, the whole process is somewhat mechanical, restricts the freedom of interviewers and may even convey disinterest to applicants who are used to more flexible interviews. Also, designing a structured interview may take a good amount of time and energy.
- **The situational interview:** One variation of the structured interview is known as the situational interview. In this approach, the applicant is confronted with a hypothetical incident and asked how he or she would respond to it. The applicant's response is then evaluated relative to pre-established benchmark standards.
- **The behavioural interview:** The behavioural interview focuses on actual work incidents (as against hypothetical situations in the situational interview) in the applicant's past. The applicant is supposed to reveal what he or she did in a given situation, for example, how he disciplined an employee who was smoking inside the factory premises.
- **Stress interview:** In stress interview, the interviewer attempts to find how applicants would respond to aggressive, embarrassing, rude and insulting questions. The whole exercise is meant to see whether the applicant can cope with highly stress-producing, anxious and demanding situations while at work, in a calm and composed manner. Such an approach may backfire also, because the typical applicant is already somewhat anxious in any interview. So, the applicant that the firm wants to hire might even turn down the job offer under such trying conditions.
- **Panel interview :** In a typical panel interview, the applicant meets with three to five interviewers who take turns asking questions. After the interview, the interviewers pool their observations to arrive at a consensus about the suitability of the applicant. The panel members can ask new and incisive questions based on their expertise and experience and elicit deeper and more meaningful responses from candidates. Such an interview could also limit the impact of the personal biases of any individual interviewer. On the negative side, as an applicant, a panel interview may make you feel more stressed than usual.

Interviewing Mistakes

The interview is a good selection tool in the hands of the person who knows how to use it. If it is not used properly or the interviewer himself is not in a positive frame of

mind, mistakes may occur. The interviewer, for example, may:

- favour applicants who share his own attitudes;
- find it difficult to establish rapport with interviewees, because he himself does not possess good interpersonal skills;
- not be asking right questions and hence not getting relevant responses;
- resort to snap judgements, making a decision as to the applicant's suitability in the first few minutes of the interview. Too often interviewers form an early impression and spend the balance of the interview looking for evidence to support it;
- have forgotten much of the interview's content within minutes after its conclusion;
- have awarded high scores by showing leniency (leniency);
- have been influenced by 'cultural noise'. To get the job, the applicants try to get past the interviewer. If they reveal wrong things about themselves, they realise that they may not get the job, so they try to give the interviewer responses that are socially acceptable, but not very revealing. These types of responses are known as cultural noise – responses the applicant believes are socially acceptable rather than facts;
- have allowed himself to be unduly influenced by associating a particular personality trait with a person's origin or cultural background and that kind of stereotyping/generalising ultimately determining the scores of a candidate (stereotyping). For example, he may feel that candidates from Bihar may find it difficult to read, write and speak English language and hence not select them at all!
- allow the ratings to be influenced by his own likes and dislikes (bias);
- conclude that a poorly dressed candidate is not intelligent, attractive females are good for public dealings, etc. This is known as 'halo effect', where a single important trait of a candidate affects the judgement of the rater. The halo effect is present if an interviewer allows a candidate's accomplishments in athletics to overshadow other aspects and leads the interviewer to like the applicant because 'athletes make good sales people';
- have rated an applicant poorly, following the interview of very favourable or unfavourable candidates (an anomaly known as candidate-order error; the order in which you interview applicants can also affect how you rate them);
- have been influenced more by unfavourable than favourable information about, or from, the candidate. Unfavourable information is given roughly twice the weight of favourable information. According to Dobmeyer and Dunette, a single negative characteristic may bar an individual from being accepted, whereafter no amount of positive features will guarantee a candidate's acceptance.
- have been under pressure to hire candidates at short notice;
- have been influenced by the behaviour of the candidates (how he has answered, his body language), his or her dress (especially in the case of female candidates) and other physical factors that are not job-related.

The Interview Process

Interviewing is an art. It demands a positive frame of mind on the part of the interviewers. Interviewees must be treated properly so as to leave a good impression (about the company) in their minds. HR experts have identified certain steps to be followed while conducting interviews:



- a. **Preparation:** Effective interviews do not just happen. They are planned. This involves:
 - Establishing the objectives of the interview and determining the areas and specific questions to be covered.
 - Reviewing the candidate's application and resume, noting areas that are vague or that may show candidate's strengths and weaknesses on which questions could be asked.
 - Keeping the test scores ready, along with interview assessment forms.
 - Selecting the interview method to be followed.
 - Choosing the panel of experts who would interview the candidates (list the number of experts to be called plus the chairman).
 - Identifying a comfortable, private room preferably away from noise and interruptions (neat and clean; well-furnished, lighted and ventilated) where the interview could be held.
- b. **Reception:** The candidate should be properly received and led into the interview room. Greet the candidate with a warm, friendly, greeting smile. Names are important. So tell the applicant what to call you and then ask the applicant for his preferred form of address. Tell briefly about yourself and put the applicant at ease so that he may reciprocate with personal information. Ask the applicant about hobbies, activities or some other topic so as to break the ice. As a rule, treat all candidates – even unsolicited drop-ins at your office – courteously, not on humanitarian grounds but because your company's reputation is at stake. Start the interview on time.
- c. **Information Exchange:** To gain the confidence of the candidate, start the interview with a cheerful conversation. The information exchange between the interviewer and the interviewee may proceed thus:
 - State the purpose of the interview, how the qualifications are going to be matched with skills needed to handle the job. Give information about the job for which the interviewee is applying. Known as a realistic job preview, such an exercise would be most fruitful when the applicant gets a realistic

picture of what he is supposed to do on the job. A realistic job preview helps minimise surprises for the new recruit, enhancing the comfort level and decreasing ambiguity and uncertainty in the early stages of work. Also, the first impression a firm makes on a new hire is one of being an honest organisation, that stays with the employee, increasing the employee's level of commitment.

- Begin with open-ended questions where the candidate gets enough freedom to express himself freely instead of 'yes' or 'no' type of responses.
- Do not put words in the applicant's mouth by asking: You have worked in a private management institute before. Haven't you?
- Do not telegraph the desired answer by nodding or smiling when the right answer is given.
- Do not interrogate the applicant as if the person is a prisoner and do not be patronising, sarcastic or ultra-critical.
- Do not monopolies the conversation, giving very little chance to the applicant to reveal himself.
- Do not let the applicant dominate the interview by rambling from point to point so you cannot ask all your questions. Establish an interview plan and stick to it.
- Do not use difficult words to confuse the applicant. Provide information as freely and honestly as possible

BOX 29: COMMON INTERVIEW QUESTIONS (R-LATHROP)

Openers

- May I see your resume?
- What can I do for you?
- Why are you interested in joining our company?
- Why do you feel that you are qualified for this job?
- What do you think you can do for us?
- What attracts you to us?
- Tell me about your experience.
- What pay do you have in mind? (Try tactfully to avoid answering this one early in the interview).

Regarding motivation and interests

- Is your present employer aware of your interest in a job change?
- Why do you want to change jobs?
- What caused you to enter your job field?
- Why do you want to change your field of work?
- Why are you leaving military service at this point?
- What would you like to be doing five years from now? When you retire?
- What is the ideal job for you?
- If you had complete freedom of choice to be a great success in any job field, which would you choose? Why?

Regarding education and intellectual capacity

- Describe your education for me.
- Why did you pick your major (area of specialisation)?
- What was your class standing?
- What were your activities?
- What honours/awards did you earn?
- What were your average grades?

Contd...

- Did your grades adequately reflect your full capability? Why not?
- What courses did you like best/least and why?
- Have you had any special training for this job?

Regarding pay

- What do you require?
- What is the minimum pay you will accept?
- What is your pay record for the last five years?
- Why do you believe you are qualified for so much more?
- We can't pay the salary you should have. Would you be willing to start lower and work up to that figure?
- What do you expect to be earning five years from now?

Regarding experience

- Why should I hire you?
- How do you fit the requirements for this job?
- What did you do in military service?
- What would you do to improve our operations?
- Who has exercised the greatest influence on you? How?
- What duties performed in the past have you liked best/least and why?
- What are your greatest strengths/limitations for this job?
- What are the strongest limitations you have found in past supervisors?
- Which supervisor did you like the best and why?
- What kinds of people appeal most/least to you as work associates?
- How many people have you supervised? What types?
- What are your greatest accomplishments to date?
- What equipment can you work with?
- Why have you changed jobs so frequently?
- Have you ever been fired or asked to resign?
- Describe the biggest crisis in your career.
- What were you doing during the period not covered in your resume?
- Why were you out of work so long?
- What was the specific nature of your illness during your extended hospitalisation?
- What made you leave your previous jobs?
- Could I see samples of your work?

- Focus on the applicant's education, training, work experience, etc. Find unexplained gaps in applicant's past work or college record and elicit facts that are not mentioned in the resume. Avoid questions that are not job-related.
 - Listen to the applicant's answers attentively and patiently. And pay attention to non verbal cues (applicant's facial expressions, gestures, body language, etc.). To increase reliability and avoid discrimination, ask the same questions of all applicants for a particular job. Keep careful notes and record facts.
- d. **Termination:** End the interview as happily as it began without creating any awkward situation for the interviewee. Here, avoid communicating through unpleasant gestures such as sitting erect, turning towards the door, glancing at watch or clock, etc. Some interviewers terminate the show by asking: do you have any final questions? At this point inform the applicant about the next step in the interview process, which may be to wait for a call or letter. Regardless of the interview performance of the candidate and interviewer's personal opinion, the applicant should not be given any indication of his prospects at this stage.
- e. **Evaluation:** After the interview is over, summarise and record your observations carefully, constructing the report based on responses given by applicant, his

behaviour, your own observations and the opinions of other experts present during the interview. Better to use a standardised evaluation form for this purpose.

Medical Examination

Certain jobs require physical qualities like clear vision, acute hearing, unusually high stamina, tolerance of arduous working conditions, clear tone of voice, etc. Medical examination reveals whether or not a candidate possesses these qualities. Medical Examination can give the following information:

- i. Whether the applicant is medically suitable for the specific job or not;
- ii. Whether the applicant has health problems or psychological attitudes likely to interfere with work efficiency or future attendance;
- iii. Whether the applicant suffers from bad health which should be corrected before he can work satisfactorily (such as the need for spectacles);
- iv. Whether the applicant's physical measurements are in accordance with job requirements or not.

Reference Checks

Once the interview and medical examination of the candidate is over, the personnel department will engage in checking references. Candidates are required to give the names of two or three references in their application forms. These references may be from individuals who are familiar with the candidate's academic achievements, or from applicant's previous employer, who is well-versed with the applicant's job performance, and sometimes from co-workers. In case the reference check is from the previous employer, information in the following areas may be obtained. They are: job title, job description, period of employment, pay and allowances, gross emoluments, benefits provided, rate of absence, willingness of the previous employer to employ the candidate again, etc. Further, information regarding candidate's regularity at work, character, progress, etc., can be obtained. Often a telephone call is much quicker. The method of mail query, provides detailed information about the candidate's performance, character and behaviour. However, a personal visit, is superior to the mail and telephone methods and is used where it is highly essential to get a detailed, first-hand information which can also be secured by observation. Reference checks are taken as a matter of routine and treated casually or omitted entirely in many organisations. But a good reference check, when used sincerely, will fetch useful and reliable information to the organisation.

BOX 30: GUIDELINES FOR SEEKING INFORMATION ABOUT A CANDIDATE FROM REFERENCES

- Request job-related information only in a written form so that you can justify the reasons behind your 'hire or no-hire decision'
- Obtain job applicant's written permission to check references prior to doing so
- Make no subjective statements
- Evaluate the credibility of the source providing the reference material
- Seek opinions from those who are familiar with the candidate and his actual performance on the job
- Always verify all key aspects of an applicant's previous history including the reasons for leaving a job.

Hiring Decision

The Line Manager concerned has to make the final decision now – whether to select or reject a candidate after soliciting the required information through different techniques discussed earlier. The line manager has to take adequate care in taking the final decision because of economic, behavioural and social implications of the selection decisions. A careless decision of rejecting a candidate would impair the morale of the people and cause them to suspect the selection procedure and the very basis of selection in a particular organisation. A true understanding between line managers and HR managers should be established so as to facilitate good selection decisions. After taking the final decision, the organisation has to intimate this decision to the successful as well as unsuccessful candidates. The organisation sends the appointment order to the successful candidates either immediately or after some time, depending upon its time schedule.

BOX 31: MODEL APPOINTMENT ORDER

XYZ Company Limited Appointment Order		Date
Shri.....		
.....		
.....		
Sub: Offer of appointment for the post of		
Dear Sir,		
<ol style="list-style-type: none"> 1. With reference to the interview test you had with us on we have pleasure in offering you the post of on the following terms and conditions. 2. Your continuation/confirmation of appointment will be subject to satisfactory verification of your credentials/character and antecedents. 3. Your pay will be Rs per month in the scale of Rs plus D.A. Rs and H.R.A. Rs as admissible from time to time under the Company's rules. 4. Your appointment will be temporary for a period of 12 months from the date of your joining and this period may be extended, if considered necessary by the Company. You will be deemed as confirmed in your appointment only if you are intimated to that effect in writing. 5. You have to obtain a satisfactory report of physical fitness from the Company's Medical Officer before joining duty. 6. During your employment you will be governed by the Standing Orders, Rules and Regulations of the service of the Company that are in force and which may be amended, altered or extended from time to time in respect of workers. 7. The undermentioned documents enclosed, shall be duly filled in and submitted before joining duty: <ol style="list-style-type: none"> (i) Gratuity Nomination Form (ii) Provident Fund Form (iii) Personal Data Form (iv) Home town declaration Form. 8. Your duties and responsibilities will be such as may be specified from time to time by the Management, such duties being inclusive of all duties and responsibilities relating to your substantive and other grades/designations depending upon the exigencies of work. 9. If the above terms and conditions are agreeable to you, please sign and return the duplicate copy of this letter and the Appendix 'A' in token of your acceptance of the appointment. You should report for duty on or before at your own expense, failing which the offer made to you automatically stands cancelled. 		
		Yours faithfully,

Summary

- Selection is the process of choosing individuals who have relevant qualifications to fill jobs in an organisation. The primary purpose of selection activities is to predict which job applicant will be successful if hired
- Selection is usually a series of hurdles or steps. Each one must be successfully cleared before the applicant proceeds to the next
- The selection process – from reception through initial screening, application, testing, interview, medical and reference checking – must be handled by trained, knowledgeable individuals
- Selection tests include intelligence and aptitude tests, achievement tests, assessment centres and general psychological or personality tests. The value of tests should not be discounted, since they are objective and offer a broader sampling of behaviour
- The interview is an important source of information about job applicants. Several types of interviews are used, depending on the nature and importance of the position to be filled within an organisation. Interviews can be conducted by a single individual or by a panel of interviewers who are generally trained for the purpose. The training helps interviewers to be more objective and not get carried away by biases and errors of various kinds
- References and medical evaluations are common aspects of the selection process of many employers these days

Terminology

- **Selection:** The process of picking individuals who have relevant qualifications to fill jobs in an organisation.
- **Application blank:** It is a printed form completed by job aspirants detailing their educational background, previous work history and certain personal data.
- **Weighted application blank:** It is a printed form completed by candidates in which each item is weighted and scored based on its importance as a determinant of job success.
- **Test:** A test is a standardised, objective measure of a sample of behaviour.
- **Reliability:** The ability of a selection tool to measure an attribute consistently.
- **Validity:** The relationship between scores on a selection tool and a relevant criterion such as job performance.
- **Work sampling:** A selection device that requires the job applicant to actually perform a small segment of the job.
- **Assessment centre:** It is a standardised form of employee appraisal that uses multiple assessment exercises such as 'in basket', games, role play, etc., and multiple raters.
- **Interview:** It is the oral examination of candidates for employment.
- **Realistic job preview:** It is a process of providing a job applicant with an accurate picture of the job.
- **Halo error:** This error occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions

- **Leniency:** The tendency to rate every employee high or excellent on all criteria
- **Stereotyping:** Attributing characteristics to individuals based on their inclusion or membership in a particular group
- **Structured interview:** Interview that uses a set of standardised questions that are clearly job-related, asked of all job applicants
- **Panel Interview:** An interview during the course of which several interviewers take turns in interviewing the candidate.

References

1. R. Gatewood, H. Field, "Human Resource Selection", Fort Worth, Tx, Dryden, 1998.
2. R. Guion, Personnel Assessment, Selection and Placement, "Handbook of Industrial and Organisational Psychology", M. Dunnette, L. Hough (ed), Palo Alto, Consulting Psychologists Press, 1991.
3. M. Brown, "Checking the Facts on a Resume", Personnel Journal, Jan, 1993.
4. T. Lammers, "How to read between the lines : Tactics for Evaluating a Resume", Inc, March 1993.
5. R.L. Mathis, J.H. Jackson, "Human Resource Management", Cincinnati, Ohio, South Western Publishing, 2003.
6. G. England, "Development and use of Weighted Application Blanks", Minneapolis: University of Minnesota, 1991.
7.
 - A. Anastasi, S. Urbina, "Psychological Testing", Macmillan, New York, 1997.
 - G. Growth—Marnet, "Handbook of Psychological Assessment", Wiley, New York, 1996.
8.
 - J.J. Asher, J.A. Sciarrino, "Realistic Work Sample Tests: A Review", Personnel psychology, winter 1974.
 - A. Howard, "An Assessment of Assessment Centers", Academy of Management Journal, March 1974.
 - W.C. Byham, "The Assessment Center as an Aid to Management Development", Training and Development Journal, Dec. 1971.
9. R. Klimoski, M. Brickner, "Why do Assessment Centres Work. The Puzzle of Assessment Centre validity", Personnel Psychology, 40, 1987.
10.
 - J.B. Miner, M.H. Capps, "How Honesty Testing Works", Westport, Conn : Quorum Books, 1996.
 - B. Kleinmütz, "Lie detectors fail the truth test", Harvard Business Review, July-Aug. 1985.
 - L. Dougherty, T. Cross, "The Validity of Polygraph Testing", American Psychologist, 1985.
11.
 - W.J. Camara, D.L. Schneider, "Integrity Tests: Facts and Unsolved Issues", American Psychologist, 1994.
 - L.J. Cronbach, "Essentials of Psychological Testing", New York, Harper Collins, 1990.

12. ● G Dessler, "Human Resource Management", New Delhi, Prentice Hall, 2004.
● M. McDaniel et al, "The Validity of Employment Interviews : A Comprehensive Review and Meta-Analysis", Journal of Applied Psychology, 1994.
13. ● T.W. Dobmeyer, M.D. Dunette, "Relative Importance of Three Current Dimensions in Overall Suitability Rating of Job Applicant Resumes", Journal of Applied Psychology, 1970.
● S. Moscoso, "Selection Interviews : A review of validity evidence adverse impact and applicant reactions", International Journal of Selection and Assessment, 2000.
● J.M. Conway et al., "A meta analysis of inter rater and internal consistency reliability of selection interviews", Journal of Applied Psychology, 1995.
14. ● R. Lathrop, "Who's Hiring Who", Reston, Reston Publishing, 1976.
● J.R. Burnett, et al; "Interview Notes and Validity," Personnel Psychology, 1998.
● M.A. Campion, "A Review of Structure in the Selection Interview", Personnel Psychology, 1997.
● S.J. Cesare, "Subjective Judgement and the Selection Interview", Public Personnel Management, 1996.
15. ● S.B. Knouse, "An Attribution Theory Approach to the Letter of Recommendation", International Journal of Management, 1987.
● C. Munchus, "Check References for Safer Selection", HRM Magazine, June 1992.

Internet Sources

1. You can practice reading and analysing resumes on line at:
www.careermosaic.com
www.jobcenter.com
2. For arguments against the use of graphology tests see [condor. depaul. edu/ethics/hand/html](http://condor.depaul.edu/ethics/hand/html)
3. Web-based guide to effective interviewing
www.curryinc.com

Review Questions

1. Describe briefly the various steps that are involved in hiring human resources in an organisation.
2. What are the various sources of recruitment? How can an organisation evaluate the worth of these sources?
3. Outline the legal, economic, social and political considerations in recruitment.
4. Explain in brief the various selection techniques in general. Outline those selection techniques which are popularly used in India.
5. Outline the factors that affect selection decisions in multiple unit organisations.

6. What is an application blank? What is its role and importance in selecting management trainees in a large public sector undertaking?
7. What is testing in selection? Explain its validity and reliability in the selection process. What types of tests do you adopt for selecting mechanical engineers in a large tool-making industry?
8. What is an interview? Explain its validity and reliability. What are the different types of employment interviews?
9. What is reference check? Do you agree with the view that reference check has become a mere formality in the selection process in Indian organisations?
10. Write notes on:
 - (a) Personality Tests
 - (b) Achievement Tests
 - (c) Polygraph
 - (d) Graphology
11. Distinguish between
 - Work Sample and Assessment Centre
 - Recruitment and Selection
12. List the advantages and disadvantages of making it compulsory for all new employees to have a complete medical examination.
13. As jobs become more team-oriented, assessment centres will be used more often for management jobs. Do you agree or disagree?
14. Contrast an unstructured interview with a behavioural interview.
15. What are the major problems of an interview as a selection device? What can management do to reduce some of these problems?
16. What impact should a realistic job preview have on a new recruit's attitude and behaviour?

Discussion Questions

1. If you were interviewing a promising candidate but he seemed nervous, what actions might you consider to calm the candidate?
2. You are starting a new manufacturing company. What phases would you go through to select your employees?
3. "The most efficient solution to the problem of interview validity is to do away with the interview and substitute paper and pencil measures" Do you agree or disagree? Explain.
4. "Even though interviews are not reliable, they are heavily used." Discuss why this selection device still rates very highly when it is known that it is unreliable.

Test Your Understanding

- A. Multiple Choice Questions (pick the most appropriate one)**
1. Ultimately, selection decisions are based on:

- (a) personal whims and fancies
 - (b) performance issues
 - (c) turnover potential
 - (d) human resource plans
 - (e) nepotism
2. Inputs to the selection process include all but
- (a) job analysis
 - (b) human resource planning
 - (c) job applicants
 - (d) economic environment
 - (e) supervision
3. The most reliable and valid tests are generally
- (a) polygraph tests
 - (b) attitude tests
 - (c) intelligence tests
 - (d) personality tests
 - (e) performance tests
4. Interviewing mistakes include all but
- (a) halo effects
 - (b) personal bias
 - (c) leniency
 - (d) realising that foreign nationals may have different customs
 - (e) talking too much
5. The most reliable type of interview is
- (a) behavioural
 - (b) stress
 - (c) structured
 - (d) situational
 - (e) panel

B. True/False Questions

Put True/False in the blank space given below:

- _____ 1. The basic source of information for recruiting is recruiters themselves.
- _____ 2. Reliability is the accuracy of a test in predicting performance.
- _____ 3. Interviews are one of the most reliable selection devices.
- _____ 4. A large selection ratio means that you are hiring a lot of people.

- _____ 5. Testing is used most frequently for lower level employees.
- _____ 6. The most reliable type of interview is structured.
- _____ 7. Questions that elicit yes or no answers provide the interviewer with more clarity.
- _____ 8. Ultimately, selection decisions are based on job performance issues.
- _____ 9. Internal selection is based on data from job applicants.
- _____ 10. The selection ratio is the number of applicants hired/total number of applicants.

C. Key Terms Exercise

Match the term below with its appropriate definition. Place the letter of the correct definition in the space to the left of the term.

- 1. _____ Assessment Centre (a) Informing applicants about all aspects of the job, including both its desirable and undesirable facets.
- 2. _____ Test (b) Performance-rating error in which the rater tends to give employees either unusually high or unusually low ratings.
- 3. _____ Simulation Exercise (c) The consistency of scores obtained by the same person when retested with the identical or equivalent tests.
- 4. _____ Realistic Job (d) A formal, in depth conversation conducted to evaluate an applicant's acceptability.
- 5. _____ Work Sampling (e) A technique that evaluates employee potential through multiple types of group and individual exercises and multiple raters.
- 6. _____ Stereotyping (f) Degree to which a test or selection procedure measures a person's attributes.
- 7. _____ Leniency (g) A standardised objective measure of a person's behaviour, performance or attitude.
- 8. _____ Selection Interview (h) A selection device requiring the job applicant to actually perform a small portion of the job
- 9. _____ Reliability (i) Attributing characteristics to individuals based on their inclusion or membership in a specific group.
- 10. _____ Validity (j) A test that duplicates many of the activities and problems an employee faces while at work.

Answers**A. Multiple Choice Questions**

1. b, 2. e, 3. e, 4. d, 5. c

2. True/False

1. F, 2. F, 3. T, 4. F,

5. T, 6. T, 7. F, 8. T,

9. F, 10. T

3. Key Terms

1. e, 2. g, 3. j, 4. a, 5. h,

6. i, 7. b, 8. d, 9. c, 10. f

Exercises/Activities

1. You work for a medium-sized software solutions company that faces intense competition from local as well as global competitors. Change seems to be the only permanent feature in your workspot and each employee's responsibilities shift from project to project. Suppose you have been asked to fill up the job openings at your company. How would you identify the best people to work in such an environment?
2. RaGold India Ltd. (RIL) is one of the fast growing manufacturers of electronic goods in Hyderabad (Andhra Pradesh). Because of the recent downsizing in most state level public sector undertaking in Andhra Pradesh, each job opening in the State attracts five times more applications than it did just a few years ago. An engineering position (thanks to over 225 engineering colleges in the State) is likely to generate as many as 500 applicants. You would think that under the circumstances, finding employees would be easy, but the widespread layoffs made during the downsizing, and the need for people to seek new career paths, have created a glut of less-than-qualified applicants. What selection tools can RIL use to get the most qualified employees from its vast pool of job seekers? In general, which selection tools do you think are the best predictors of job performance?

INDUCTION AND SOCIALIZATION

O U T L I N E

- | | |
|----|-----------------------------|
| 1. | Placement |
| 2. | Induction/Orientation |
| 3. | Induction Training in India |

Placement

After a candidate has been selected, he should be placed on a suitable job. Placement is the actual posting of an employee to a specific job. It involves assigning a specific rank and responsibility to an employee. The placement decisions are taken by the line manager after matching the requirements of a job with the qualifications of a candidate. Most organisations put new recruits on probation for a given period of time, after which their services are confirmed. During this period, the performance of the probationer is closely monitored. If the new recruit fails to adjust himself to the job and turns out poor performance, the organisation may consider his name for placement elsewhere. Such second placement is called 'differential placement'. Usually the employees' supervisor, in consultation with the higher levels of line management, takes decisions regarding the future placement of each employee.

Placement is an important human resource activity. If neglected, it may create employee adjustment problems leading to absenteeism, turnover, accidents, poor performance, etc. The employee will also suffer seriously. He may quit the organisation in frustration, complaining bitterly about everything. Proper placement is, therefore, important to both the employee and the organisation. The benefits of placements may be summarised thus:

Table 22: Major Benefits of Proper Placement

The employee is able to:
<ul style="list-style-type: none"> ● Show good results on the job. ● Get along with people easily. ● Keep his spirits high, report for duty regularly. ● Avoid mistakes and accidents.

Placement, it should be remembered, should be made with as little disruption to the employee and organisation as possible. To this end, new recruits must be oriented properly so that they become productive contributors. There should be a conscious and determined effort to adapt the new recruit to the organisation's culture (the rules, jargon, customs and other traditions that clarify acceptable and unacceptable behaviour in an organisation) by conveying to the employee how things are done and what matters. When new employees know what is expected of them, they have better organisational performance and less frustration and uncertainty.

Induction/Orientation

Meaning

Orientation or induction is the task of introducing the new employees to the organisation and its policies, procedures and rules. A typical formal orientation programme may last a day or less in most organisations. During this time, the new employee is provided with information about the company, its history, its current position, the benefits for which he is eligible, leave rules, rest periods, etc. Also covered are the more routine things a newcomer must learn, such as the location of the rest rooms, break rooms, parking spaces, cafeteria, etc. In some organisations, all this is done informally by attaching new employees to their seniors, who provide guidance on the above matters. Lectures, handbooks, films, groups, seminars are also provided to new employees so that they can settle down quickly and resume the work.

BOX 32: FLOWERS FOR ATTENDING AN INTERVIEW!

"I came for an interview here in 2000. At that time Mind Tree Consulting (1045 employees software consulting outfit with nearly \$29 million global sales) had about a hundred employees," says a Senior Consultant. "I had not made up my mind about the company, and had a few other offers. Soon after the interview the company sent me a bouquet of flowers, thanking me for attending the interview. For me that was the 'clincher' – after all how many companies would do that, just for attending an interview?"

[see B. World, 6.12.2004]

Objectives

Induction serves the following purposes:

- a. **Removes fears:** A newcomer steps into an organisation as a stranger. He is new to the people, workplace and work environment. He is not very sure about what he is supposed to do. Induction helps a new employee overcome such fears and perform better on the job.

It assists him in knowing more about:

- The job, its content, policies, rules and regulations.
- The people with whom he is supposed to interact.
- The terms and conditions of employment.

- b. **Creates a good impression:** Another purpose of induction is to make the newcomer feel at home and develop a sense of pride in the organisation. Induction helps him to:

- Adjust and adapt to new demands of the job.
- Get along with people.
- Get off to a good start.

Through induction, a new recruit is able to see more clearly as to what he is supposed to do, how good the colleagues are, how important is the job, etc. He can pose questions and seek clarifications on issues relating to his job. Induction is a positive step, in the sense, it leaves a good impression about the company and the people working there in the minds of new recruits. They begin to take pride in their work and are more committed to their jobs.

- c. **Acts as a valuable source of information:** Induction serves as a valuable source of information to new recruits. It classifies many things through employee manuals/handbook. Informal discussions with colleagues may also clear the fog surrounding certain issues. The basic purpose of induction is to communicate specific job requirements to the employee, put him at ease and make him feel confident about his abilities.

Induction Programme: Steps

The HR department may initiate the following steps while organising the induction programme:

- Welcome to the organisation.
- Explain about the company.
- Show the location/department where the new recruit will work.
- Give the company’s manual to the new recruit.
- Provide details about various work groups and the extent of unionism within the company.
- Give details about pay, benefits, holidays, leave, etc. Emphasise the importance of attendance or punctuality.
- Explain about future training opportunities and career prospects.
- Clarify doubts, by encouraging the employee to come out with questions.
- Take the employee on a guided tour of buildings, facilities, etc. Hand him over to his supervisor.

- (a) **Content:** The topics covered in employee induction programme may be stated thus:

Table 23: Induction Programme: Topics

<p>1. Organisational issues</p> <ul style="list-style-type: none"> ● History of company ● Names and titles of key executives ● Employees’ title and department ● Layout of physical facilities ● Probationary period ● Products/services offered 	<ul style="list-style-type: none"> ● Overview of production process ● Company policies and rules ● Disciplinary procedures ● Employees’ handbook ● Safety steps
<p>2. Employee benefits</p> <ul style="list-style-type: none"> ● Pay scales, pay days ● Vacations, holidays ● Rest pauses 	<ul style="list-style-type: none"> ● Training avenues ● Counselling ● Insurance, medical, recreation, retirement benefits
<p>3. Introductions</p> <ul style="list-style-type: none"> ● To supervisors ● To co-workers 	<ul style="list-style-type: none"> ● To trainers ● To employee counsellor
<p>4. Job duties</p> <ul style="list-style-type: none"> ● Job location ● Job tasks ● Job safety needs 	<ul style="list-style-type: none"> ● Overview of jobs ● Job objectives ● Relationship with other jobs

- (b) **Socialisation:** Socialisation is a process through which a new recruit begins to understand and accept the values, norms and beliefs held by others in the organisation. HR department representatives help new recruits to “internalise the way things are done in the organisation”. Orientation helps the newcomers

to interact freely with employees working at various levels and learn behaviours that are acceptable. Through such formal and informal interaction and discussion, newcomers begin to understand how the department/company is run, who holds power and who does not, who is politically active within the department, how to behave in the company, what is expected of them, etc. In short, if the new recruits wish to survive and prosper in their new work home, they must soon come to 'know the ropes'. Orientation programmes are effective socialisation tools because they help the employees to learn about the job and perform things in a desired way.

- (c) **Follow up:** Despite the best efforts of supervisors, certain dark areas may still remain in the orientation programme. New hires may not have understood certain things. The supervisors, while covering a large ground, may have ignored certain important matters. To overcome the resultant communication gaps, it is better to use a supervisory checklist as shown in Table 23 and find out whether all aspects have been covered or not. Follow up meetings could be held at fixed intervals, say after every three or six months on a face-to-face basis. The basic purpose of such follow up orientation is to offer guidance to employees on various general as well as job-related matters – without leaving anything to chance. To improve orientation, the company should make a conscious effort to obtain feedback from everyone involved in the programme. There are several ways to get this kind of feedback: through round table discussions with new hires after their first year on the job, through in-depth interviews with randomly selected employees and superiors and through questionnaires for mass coverage of all recent recruits.

Induction Training in India

Let's now take a look at the initiation programmes offered to new entrants by companies operating in India:

BOX 33: EMPLOYEE INDUCTION PROGRAMME: IN INDIAN COMPANIES

1. **Aptech:** The company takes its new entrants through a structured induction training programme. The one-day programme includes a briefing on the company's market position, the business it is in, its functioning style, its organisational structure and its HR policies. The entrants are also familiarised with what others do, before being deputed to their own departments. A six-month behavioural training is also offered in team-building, self-development, customer-sensitivity etc. Finally, the recruits are put through an appraisal process to gauge fitment and progress.
2. **Maruti udyog:** The company customises its initiation programmes to suit the profile of the new recruit. For engineers, the programme is offered in four parts: (i) familiarise with various functions and meet division heads (ii) work on shop floor (iii) work at various other departments (iv) work finally in departments for about 2 months, where they will eventually work.
3. **Standard chartered bank:** The management trainees are picked from premium B-schools and undergo induction training for about 6 months. During this period, the trainees spend time in the various divisions of the bank to get a holistic view of the bank's operations, and get a chance to meet each of the bank's business heads. A two-day session dedicated to team-building is also conducted thereafter. After taking charge of the job, the new recruits have to attend a review session about the job itself.
4. **Citibank:** At Citibank, trainees spend the first two-and-a-half weeks learning about the bank's three major levels of business: the corporate bank servicing institutional clients; the consumer bank, serving individual customers and

Contd...

personalised services, besides the functional divisions within each. The business head, thereafter, will make a presentation (question – answer session, discussions, case studies films etc. used) offering general information about the services offered by the bank. Simulation exercises follow this presentation. Trainees, for instance, are made to role-play the clearance of an overdraft cheque. Through interaction with peers, trainees learn about the processes and methods followed at Citibank. The trainees are assigned a specific job in the third week. A mentor will help the trainee discharge the given responsibilities in a proper way. The trainee is now given freedom to carry out the task as per his understanding. During this period, the inductees are neither given fixed hours nor a time to sign in every morning. The idea is to allow freedom to the trainee so that he can bring his own personality and set of skills to his job. The trainee has to find his own way of achieving a given objective. In the process, the induction training also becomes a test of independence – a quality that is highly required of managers in Citibank. Meanwhile, the mentor offers help wherever required. After spending two months on the job the trainees attend classroom learning sessions – conducted at the Asia Pacific Banking Institute in Singapore.

5. **KPMG:** KPMG follows different standards for new entrants on the basis of their past experience. The managers who join with experience in consulting are expected to start performing immediately, and hit the ground running whereas people who come from related sectors—where KPMG is working—are given enough leeway to understand what consulting business is all about, and then start performing. However, all newcomers are on probation for six months. This is the time when both the stakeholders – the employee and the employer—get an opportunity to understand each other. The individuals are expected to have technical finesse, show adaptability, a sense of team-play, and display ability to handle the given volume of work.
6. **Sony India:** The company does not follow any uniform policy for acclimatisation, and there is no specific time-frame given to newcomers. To 'fit in', the company gives enough opportunities to them to understand the process, culture, and systems of the organisation—from six months to one year—depending on the kind of work they do. In the case of junior managers, new recruits are given less time as compared to the entrants who need to supervise, chalk out strategies, and delegate work. The flip side? People with more experience are given more time to understand but less time to perform. Overall, Sony tries to bring out the best in a person thus allowing the individuals to develop their abilities.
7. **Indian shaving products:** The company has different standards for recruits from different backgrounds and different jobs. Predictably, the expectation the company has of an individual is directly proportional to his/her work experience. However, all newcomers are kept on probation for six months. The probationers are expected to perform, and if they fail, it is assumed that they have not settled into the work environment, and their appointment comes in for a review. However, the duration of the acclimatisation process depends on an individual's learning capacity. Some manage to adapt themselves within three to four months, and some take longer.

Responsibilities

The supervisors, as stated above, must conduct the orientation programme through the checklist. To strengthen formal orientation efforts, a buddy system may also be introduced. Here, an experienced employee takes the worker round the organisation, introduces the newcomer to other workers and answers the newcomer's questions in a friendly, informal tone. In any case the HR department and the supervisor taking charge of the orientation efforts, should see that the newcomer is not :

- Overburdened with too many forms.
- Overwhelmed with too much to absorb in a short time.
- Asked to do jobs that are complex and hazardous and with a high chance of failure.
- Pushed into the job with a sketchy orientation.

Terminology

- **Placement:** Actual posting of an employee to a specific job – with rank and responsibilities attached to it.
- **Induction:** Introduction of a person to the job and the organisation.
- **Socialisation:** The process through which the new recruit begins to understand and accept the values, norms and beliefs held by others in the organisation.
- **Buddy System:** An orientation programme where an experienced employee is asked to show the new workers around, conduct the introductions for the supervisor and answer the newcomer's questions.

References

1. ● G.F. Dreher, "The Role of Performance in the Turnover Process", *Academy of Management Journal*, March 1982.
 - J. Wanous, A. Reichers, "New Employee Orientation Programs", *Human Resource Management Review*, 10, 2000.
2. ● K. Oldfield, "Survival of the Newest", *Personnel Journal*, March 1989.
 - T.K. Meier, S. Hough, "Beyond Orientation, Assimilating New Employees", *Human Resource Management*, Spring 1982.
 - S. Hicks, "Successful Orientation Programs", *Training and Development*, April 2000.
3. ● W.B. Werther, K. Davis, "Human Resources and Personnel Management", New York, McGraw Hill, 2003.
 - W.D. St. John, "The Complete Employee Orientation Program", *Personnel Journal*, 59, 1980.
4. ● G. Chao et al, "Organisational Socialisation, Its Content and Consequences", *Journal of Applied Psychology*, 79, 1994.
 - H. Klein, N. Veaver, "The Effectiveness of an Organisational Level Orientation Programme in the Socialisation of New Hires". *Personnel Psychology*, 53, 2000.
5. ● A.M. Stracke, "Building a Better Orientation Program". *HR Magazine*, 41, 1996.
 - E.J. McGarrell, "An Orientation System that Builds Productivity". *Personnel Administrator*, 29, 1984.
 - W.F. Cascio, "Managing Human Resources", New Delhi, Tata McGraw Hill, 2004.

6.
 - Business Today, Jan 7-21, 1996; May 7-21, 2000, and May 22-June 6, 2000.
 - Chhaya, "The Induction Training Technique", Business Today, Jan 7-21, 1996.
 - P.R. Chowdhary, "How to Orient your New Employees?" Business Today, May 7-21, 2000.
 - "How to feel at home from Day 1", Business Today, May 22-June 6, 2000.
7. C. Garvay, "The whirl wind of a new job", HR Magazine, June 2001.

Review Questions

1. Explain the terms 'placement' and 'induction': Outline their objectives.
2. What are the components of an employee induction programme? What measures should be taken to make the induction programme successful?

Discussion Questions

1. What benefits can socialisation offer for the
 - (a) New employee
 - (b) Organisation
2. Orientation is required when the selection policy is defective. When employees are selected properly, they do not need to be oriented. Do you agree or disagree? Why?
3. Assume your company is dedicated to giving employees careers, not just jobs. What actions would you recommend to minimise layoffs occasioned by the ups and downs of economic cycles?

MANPOWER TRAINING AND DEVELOPMENT

O U T L I N E

1. Need for Training
2. Training vs Development
3. Training vs Education
4. A Checklist to Avoid Training Pitfalls
5. Learning Principles: The Philosophy of Training
6. Applicability of Training
7. Environment
8. Areas of Training
9. Types of Training
10. A Systematic Approach to Training
11. Training Methods
12. Evaluation of a Training Programme
13. Decision Points in Planning Training Evaluation
14. Methods of Evaluation

Need for Training

After employees have been selected for various positions in an organisation, training them for the specific tasks to which they have been assigned assumes great importance. It is true in many organisations that before an employee is fitted into a harmonious working relationship with other employees, he is given adequate training. Training is the act of increasing the knowledge and skills of an employee for performing a particular job. The major outcome of training is learning. A trainee learns new habits, refined skills and useful knowledge during the training that helps him improve performance. Training enables an employee to do his present job more efficiently and prepare himself for a higher level job. The essential features of training may be stated thus:

BOX 34: FEATURES OF TRAINING

- Increases knowledge and skills for doing a particular job; it bridges the gap between job needs and employee skills, knowledge and behaviours
- Focuses attention on the current job; it is job specific and addresses particular performance deficits or problems
- Concentrates on individual employees; changing what employees know, how they work, their attitudes toward their work or their interactions with their co-workers or supervisors
- Tends to be more narrowly focused and oriented toward short-term performance concerns

Training is needed to serve the following purposes:

- Newly recruited employees require training so as to perform their tasks effectively. Instruction, guidance, coaching help them to handle jobs competently, without any wastage.
- Training is necessary to prepare existing employees for higher-level jobs (promotion).
- Existing employees require refresher training so as to keep abreast of the latest developments in job operations. In the face of rapid technological changes, this is an absolute necessity.
- Training is necessary when a person moves from one job to another (transfer). After training, the employee can change jobs quickly, improve his performance levels and achieve career goals comfortably.
- Training is necessary to make employees mobile and versatile. They can be placed on various jobs depending on organisational needs.
- Training is needed to bridge the gap between what the employee has and what the job demands. Training is needed to make employees more productive and useful in the long-run.
- Training is needed for employees to gain acceptance from peers (learning a job quickly and being able to pull their own weight is one of the best ways for them to gain acceptance).

Training vs Development

Training often has been referred to as teaching specific skills and behaviour. Examples of training are learning to fire a rifle, to shoot foul shots in basketball and to type. It is usually reserved for people who have to be brought up to performing level in some specific skills. The skills are almost always behavioural as distinct from conceptual or intellectual.

Development, in contrast, is considered to be more general than training and more oriented to individual needs in addition to organisational needs and it is most often aimed toward management people. There is more theory involved with such education and hence less concern with specific behaviour than is the case with training. Usually, the intent of development is to provide knowledge and understanding that will enable people to carry out non-technical organisational functions more effectively, such as problem solving, decision-making and relating to people.

Table 24: Distinctions between Training and Development

Learning Dimension	Training	Development
Meant for	Operatives	Executives
Focus	Current job	Current and future jobs
Scope	Individual employee	Work group or organisation
Goal	Fix current skill deficit	Prepare for future work demands
Initiated by	Management	The Individual
Content	Specific job-related information	General Knowledge
Time-frame	Immediate	Long-term

Thus, training is meant for operatives and development is meant for managers. Training tries to improve a specific skill relating to a job whereas development aims at improving the total personality of an individual. Training is a one-shot deal; whereas development

is an ongoing, continuous process. The scope of training is on individual employees, whereas the scope of development is on the entire work group or the organisation. Training is mostly the result of initiatives taken by management. It is the result of some outside motivation. Development is mostly the result of internal motivation. Training seeks to meet the current requirements of the job and the individual; whereas development aims at meeting the future needs of the job and the individual. In other words, training is a reactive process whereas development is a proactive process. Development is future-oriented training, focusing on the personal growth of the employee.

Training vs Education

The term 'education' is wider in scope and more general in purpose when compared to training. Training is the act of increasing the knowledge and skills of an employee while doing a job. It is job-oriented (skill learning). Education, on the other hand, is the process of increasing the general knowledge and understanding of employees. It is a person-oriented, theory-based knowledge whose main purpose is to improve the understanding of a particular subject or theme (conceptual learning). Its primary focus is not the job of an operative. Education is imparted through schools or colleges and the contents of such a programme generally aim at improving the talents of a person. Training is practice-based and company-specific. However, both have to be viewed as programmes that are complementary and mutually supportive. Both aim at harnessing the true potential of a person/employee.

Importance

Training offers innumerable benefits to both employees and employers. It makes the employee more productive and more useful to an organisation. The importance of training can be studied under the following heads:

Table 25: Importance of Training

Benefits to the business	Benefits to the employees
<p>Trained workers can work more efficiently.</p> <p>They use machines, tools, materials in a proper way. Wastage is thus eliminated to a large extent.</p> <p>There will be fewer accidents. Training improves the knowledge of employees regarding the use of machines and equipment. Hence, trained workers need not be put under close supervision, as they know how to handle operations properly.</p> <p>Trained workers can show superior performance. They can turn out better quality goods by putting the materials, tools and equipment to good use.</p> <p>Training makes employees more loyal to an organisation. They will be less inclined to leave the unit where there are growth opportunities.</p>	<p>Training makes an employee more useful to a firm. Hence, he will find employment more easily.</p> <p>Training makes employees more efficient and effective. By combining materials, tools and equipment in a right way, they can produce more with minimum effort.</p> <p>Training enables employees to secure promotions easily. They can realise their career goals comfortably.</p> <p>Training helps an employee to move from one organisation to another easily. He can be more mobile and pursue career goals actively.</p> <p>Employees can avoid mistakes, accidents on the job. They can handle jobs with confidence. They will be more satisfied on their jobs. Their morale would be high.</p> <p>Thus, training can contribute to higher production, fewer mistakes, greater job satisfaction and lower labour turnover. Also, it can enable employees to cope with organisational, social and technological change. Effective training is an invaluable investment in the human resources of an organisation.</p>

A Checklist to Avoid Training Pitfalls

- **Attempting to teach too quickly:** Trying to teach too quickly results in frustration. It is not wise to push employees beyond their learning limits.
- **Trying to teach too much:** There are limits to the amount that one can learn. It is recommended to teach segments of the job in sequential fashion in order to develop a greater appreciation and understanding of the whole job.
- **Viewing all trainees as the same:** All employees are different. This must be recognised when it comes to training. Since some workers learn faster or slower than others, these differences must be accounted for in the training programme.
- **Not providing time to practice:** Practice makes perfect. There is no such thing as natural-born skilled workers. Adequate practice time must be provided for employees to develop their skills.
- **Providing a pat on the back:** It is always a good idea to reinforce employees during the learning process. Encouragement, praise, and reward are highly recommended.
- **Not frightening the employee:** As a supervisor, it is possible to know the job for which the employee is training so thoroughly that a new employee may feel inadequate or intimidated.

Learning Principles: The Philosophy of Training

Training is essential for job success. It can lead to higher production, fewer mistakes, greater job satisfaction and lower turnover. These benefits accrue to both the trainee and the organisation, if managers understand the principles behind the training process. To this end, training efforts must invariably follow certain learning-oriented guidelines.

Modelling

Modelling is simply copying someone else's behaviour. Passive class room learning does not leave any room for modelling. If we want to change people, it would be a good idea to have videotapes of people showing the desired behaviour. The selected model should provide the right kind of behaviour to be copied by others. A great deal of human behaviour is learned by modelling others. Children learn by modelling parents and older children, they are quite comfortable with the process by the time they grow up. As experts put it, "managers tend to manage as they were managed!"

Motivation

For learning to take place, intention to learn is important. When the employee is motivated, he pays attention to what is being said, done and presented. Motivation to learn is influenced by the answers to questions such as: How important is my job to me? How important is the information? Will learning help me progress in the company? etc. People learn more quickly when the material is important and relevant to them. Learning is usually quicker and long-lasting when the learner participates actively. Most people, for example, never forget how to ride a bicycle because they took an active part in the learning process!

Reinforcement

If a behaviour is rewarded, it probably will be repeated. Positive reinforcement consists of rewarding desired behaviours. People avoid certain behaviours that invite criticism

and punishment. A bank officer would want to do a post graduate course in finance, if it earns him increments and makes him eligible for further promotions. Both the external rewards (investments, praise) and the internal rewards (a feeling of pride and achievement) associated with desired behaviours compel subjects to learn properly. To be effective, the trainer must reward desired behaviours only. If he rewards poor performance, the results may be disastrous: good performers may quit in frustration, accidents may go up, productivity may suffer. The reinforcement principle is also based on the premise that punishment is less effective in learning than reward. Punishment is a pointer to undesirable behaviours. When administered, it causes pain to the employee. He may or may not repeat the mistakes. The reactions may be mild or wild. Action taken to repeal a person from undesirable action is punishment. If administered properly, punishment may force the trainee to modify the undesired or incorrect behaviours.

Feedback

People learn best if reinforcement is given as soon as possible after training. Every employee wants to know what is expected of him and how well he is doing. If he is off the track, somebody must put him back on the rails. The errors in such cases must be rectified immediately. The trainee after learning the right behaviour is motivated to do things in a 'right' way and earn the associated rewards. Positive feedback (showing the trainee the right way of doing things) is to be preferred to negative feedback (telling the trainee that he is not correct) when we want to change behaviour.

Spaced Practice

Learning takes place easily if the practice sessions are spread over a period of time. New employees learn better if the orientation programme is spread over a two or three day period, instead of covering it all in one day. For memorising tasks, 'massed' practice is usually more effective. Imagine the way schools ask the kids to say the Lord's prayer aloud. Can you memorise a long poem by learning only one line per day? You tend to forget the beginning of the poem by the time you reach the last stanza. For 'acquiring' skills as stated by Mathis and Jackson, spaced practice is usually the best. This incremental approach to skill acquisition minimises the physical fatigue that deters learning.

Whole Learning

The concept of whole learning suggests that employees learn better if the job information is explained as an entire logical process, so that they can see how the various actions fit together into the 'big picture'. A broad overview of what the trainee would be doing on the job should be given top priority, if learning has to take place quickly. Research studies have also indicated that it is more efficient to practice a whole task all at once rather than trying to master the various components of the task at different intervals.

Active Practice

'Practice makes a man perfect': so said Bacon. To be a swimmer, you should plunge into water instead of simply reading about swimming or looking at films of the world's best swimmers. Learning is enhanced when trainees are provided ample opportunities to repeat the task. For maximum benefit, practice sessions should be distributed over time.

Applicability of Training

Training should be as real as possible so that trainees can successfully transfer the new knowledge to their jobs. The training situations should be set up so that trainees can visualise – and identify with – the types of situations they can come across on the job.

Environment

Finally, environment plays a major role in training. It is natural that workers who are exposed to training in comfortable environments with adequate, well spaced rest periods are more likely to learn than employees whose training conditions are less than ideal. Generally speaking, learning is very fast at the beginning. Thereafter, the pace of learning slows down as opportunities for improvement taper off.

Areas of Training

The Areas of Training in which training is offered may be classified into the following categories:

Knowledge

Here the trainee learns about a set of rules and regulations about the job, the staff and the products or services offered by the company. The aim is to make the new employee fully aware of what goes on inside and outside the company.

Technical Skills

The employee is taught a specific skill (e.g., operating a machine, handling computer etc.) so that he can acquire that skill and contribute meaningfully.

Social Skills

The employee is made to learn about himself and others, and to develop a right mental attitude towards the job, colleagues and the company. The principal focus is on teaching the employee how to be a team member and get ahead.

Techniques

This involves the application of knowledge and skill to various on-the-job situations.

In addition to improving the skills and knowledge of employees, training aims at moulding employee attitudes: When administered properly, a training programme will go a long way in obtaining employee loyalty, support and commitment to company activities.

Types of Training

There are many approaches to training. We focus here on the types of training that are commonly employed in present-day organisations.

- **Skills training:** This type of training is most common in organisations. The process here is fairly simple. The need for training in basic skills (such as reading, writing, computing, speaking, listening, problem solving, managing oneself, knowing how to learn, working as part of a team, leading others) is identified through assessment. Specific training objectives are set and training content is developed to meet those objectives. Several methods are available for imparting these

basic skills in modern organisations (such as lectures, apprenticeship, on-the-job, coaching, etc.). Before employing these methods, managers should:

- ❖ explain how the training will help the trainees in their jobs.
 - ❖ relate the training to the trainees' goals.
 - ❖ respect and consider participant responses and use these as a resource.
 - ❖ encourage trainees to learn by doing.
 - ❖ give feedback on progress toward meeting learning objectives.
- **Refresher training:** Rapid changes in technology may force companies to go in for this kind of training. By organising short-term courses which incorporate the latest developments in a particular field, the company may keep its employees up-to-date and ready to take on emerging challenges. It is conducted at regular intervals by taking the help of outside consultants who specialise in a particular descriptive.
 - **Cross-functional Training:** Cross-functional Training involves training employees to perform operations in areas other than their assigned job. There are many approaches to cross functional training. Job rotation can be used to provide a manager in one functional area with a broader perspective than he would otherwise have. Departments can exchange personnel for a certain period so that each employee understands how other departments are functioning. High performing workers can act as peer trainers and help employees develop skills in another area of operation. Cross functional training provides the following benefits to an organisation (and the workers as well) (1) Workers gain rich experience in handling diverse jobs; they become more adaptable and versatile (2) they can better engineer their own career paths (3) they not only know their job well but also understand how others are able to perform under a different set of constraints (4) A broader perspective increases workers' understanding of the business and reduces the need for supervision (5) when workers can fill in for other workers who are absent, it is easier to use flexible scheduling, which is increasingly in demand as more employees want to spend more time with their families. Eli Lilly and Company (India), for example, encourages cross functional movements to make the organisation equally attractive to both specialists and generalists.

BOX 35: CROSS FUNCTIONAL TRAINING: INDIAN EXPERIENCES

- **Thermax:** At Thermax (over 1200 employees nearly Rs. 600 crore turnover, 6 per cent attrition rate) high-potential individuals are given greater exposure, high visibility and asked to chart out a career vision through an ongoing dialogue.
- **GCPL:** Godrej Consumer Products Ltd's (1052 employees, nearly Rs. 500 crore sales) talent management system allows bright employees to acquire a wide variety of skills through job rotation (e.g., sales systems, project management skills, IT skills, Team building skills etc.). Outstanding performers get salary increase instantaneously.
- **Sapient Corporation:** (814 employees with over \$ 202 million global sales). At Sapient employees work on 48-50 projects at any given time. Some of these are executed entirely by the local employees from their Gurgaon and Bangalore offices.
- **Johnson & Johnson:** (1419 employees with over \$ 41,000 million global sales) J&J constantly encourages its employees to upgrade their skills and knowledge through short-term programmes at institutes like the IIMs, XLRI etc. apart from rotating employees on challenging tasks.

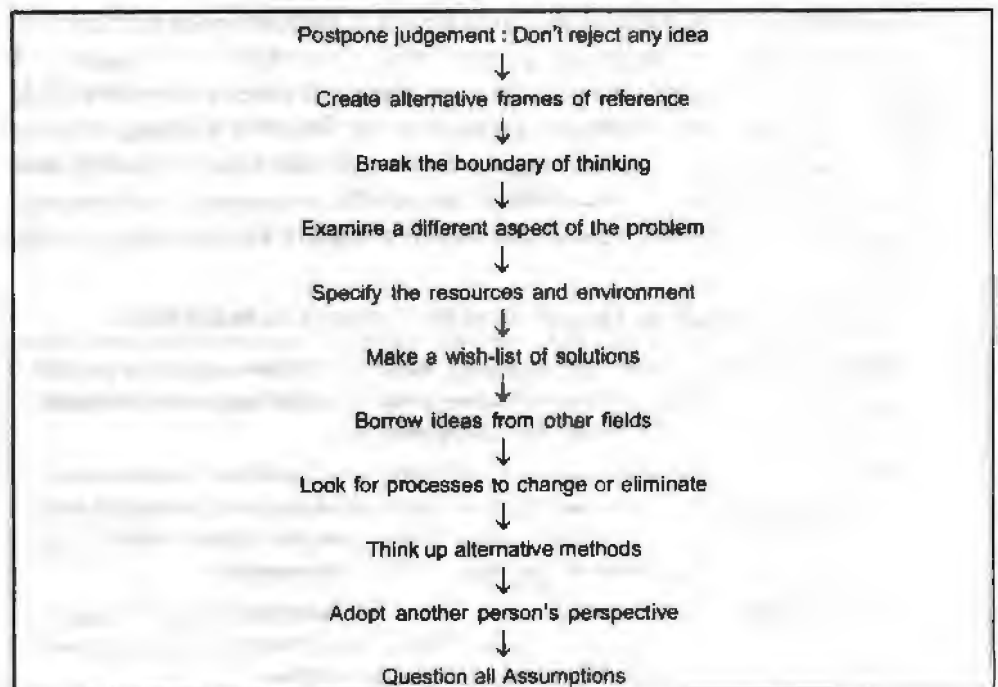
Contd...

- **Monsanto India:** (354 employees with nearly \$ 5,000 global sales) Monsanto sets stiff targets for employees, but trains employees with a rare rigour so that they get a fair shot at those. People identified as future leaders are given internal international positions.
- **P&G:** (Over Rs. 750 crore sales and powerful brands like Vicks, Tide, Ariel, Pantene, Whisper, Pampers, Head and Shoulders, etc.) P&G relies on the promote-from-within philosophy. It hires freshers straight out of B-school, trains and empowers them to handle challenging jobs from day 1. Says a new recruit from IIM Ahmedabad: "I am two months old in the company and already handling a new brand launch".

[BT-Hewitt Study, 2003; BT-Mercer-TNS Study, 2004; Grow Talent Study, B. World, 1.9.2003 and 6.12.2004]

- **Team Training:** Team training generally covers two areas: content tasks and group processes. Content tasks specify the team's goals such as cost control and problem solving. Group processes reflect the way members function as a team – for example how they interact with each other, how they sort out differences, how they participate, etc. Companies are investing heavy amounts, nowadays, in training new employees to listen to each other and to cooperate. They are using outdoor experiential training techniques to develop teamwork and team spirit among their employees (such as scaling a mountain, preparing recipes for colleagues at a restaurant, sailing through uncharted waters, crossing a jungle etc.). The training basically throws light on (i) how members should communicate with each other (ii) how they have to cooperate and get ahead (iii) how they should deal with conflictful situations (iv) how they should find their way, using collective wisdom and experience to good advantage.
- **Creativity training:** Companies like Mudra Communications, Titan Industries, Wipro encourage their employees to think unconventionally, break the rules, take risks, go out of the box and devise unexpected solutions.

BOX 36: HOW TO BE CREATIVE ?



In creativity training, trainers often focus on three things :

- (a) **Breaking away:** In order to break away from restrictions, the trainee is expected to (i) identify the dominant ideas influencing his own thinking (ii) define the

boundaries within which he is working (iii) bring the assumptions out into the open and challenge everything

- (b) **Generate new ideas:** To generate new ideas, the trainee should open up his mind; look at the problem from all possible angles and list as many alternative approaches as possible. The trainee should allow his mind to wander over alternatives freely, expose himself to new influences (people, articles, books, situations), switch over from one perspective to another, arrange cross fertilisation of ideas with other people and use analogies to spark off ideas.
- (c) **Delaying judgement:** To promote creative thinking, the trainee should not try to kill off ideas too quickly; they should be held back until he is able to generate as many ideas as possible. He should allow ideas to grow a little. Brainstorming (getting a large number of ideas from a group of people in a short time) often helps in generating as many ideas as possible without pausing to evaluate them. It helps in releasing ideas, overcoming inhibitions, cross fertilising ideas and getting away from patterned thinking.
 - **Diversity Training:** Diversity training considers all of the diverse dimensions in the workplace – race, gender, age, disabilities, lifestyles, culture, education, ideas and backgrounds – while designing a training programme. It aims to create better cross-cultural sensitivity with the aim of fostering more harmonious and fruitful working relationships among a firm’s employees. The programme covers two things : (i) awareness building, which helps employees appreciate the key benefits of diversity, and (ii) skill building, which offers the knowledge, skills and abilities required for working with people having varied backgrounds.
 - **Literacy Training:** Inability to write, speak and work well with others could often come in the way of discharging duties, especially at the lower levels. Workers, in such situations, may fail to understand safety messages, appreciate the importance of sticking to rules, and commit avoidable mistakes. Functional illiteracy (low skill level in a particular content area) may be a serious impediment to a firm’s productivity and competitiveness. Functional literacy programmes focus on the basic skills required to perform a job adequately and capitalise on most workers’ motivation to get help in a particular area. Tutorial programmes, home assignments, reading and writing exercises, simple mathematical tests, etc., are generally used in all company in-house programmes meant to improve the literacy levels of employees with weak reading, writing or arithmetic skills.

A Systematic Approach to Training

Training is most effective when it is planned, implemented and evaluated in a systematic way. Unplanned, uncoordinated and haphazard training efforts greatly reduce the learning that can be expected. Table 26 shows three major components of a systematic approach to training.

Table 26: A Systematic Approach to Training

1. Assessment	2. Implementation	3. Evaluation
<ul style="list-style-type: none"> ● Determine training needs ● Identify training objectives 	<ul style="list-style-type: none"> ● Select training methods ● Conduct training 	<ul style="list-style-type: none"> ● Compare training outcomes against criteria

Training Needs Assessment

Training efforts must aim at meeting the requirements of the organisation (long-term) and the individual employees (short-term). This involves finding answers to questions such as: Whether training is needed? If yes, where is it needed? Which training is needed? etc. Once we identify training gaps within the organisation, it becomes easy to design an appropriate training programme. Training needs can be identified through the following types of analysis, as shown in Table 27.

- a. **Organisational analysis:** It involves a study of the entire organisation in terms of its objectives, its resources, the utilisation of these resources, in order to achieve stated objectives and its interaction pattern with environment. The important elements that are closely examined in this connection are:
 - **Analysis of objectives:** This is a study of short-term and long-term objectives and the strategies followed at various levels to meet these objectives.
 - **Resource utilisation analysis:** How the various organisational resources (human, physical and financial) are put to use is the main focus of this study. The contributions of various departments are also examined by establishing efficiency indices for each unit. This is done to find out comparative labour costs, whether a unit is under-manned or over-manned.
 - **Environmental scanning:** Here the economic, political, socio-cultural and technological environment of the organisation is examined.

Table 27: Data Sources used in Training Needs Assessment

Organisational Analysis	Task Analysis	Person Analysis
Organisational goals and objectives	Job descriptions	Performance data or appraisals
Personnel inventories	Job specifications	Work sampling
Skills inventories	Performance standards	Interviews
Organisational climate analysis	Performing the job	Questionnaires
Efficiency indexes	Work sampling	Tests (KASOCs)
Changes in systems or subsystems (e.g., equipment)	Reviewing literature on the job	Customer/employee attitude surveys
Management requests	Asking questions about the job	Training progress
Exit interviews	Training committees	Rating scales
MBO or work planning systems	Analysis of operating problems	CIT
Customer survey/satisfaction data		Dianes
		Devised situations (e.g., role play)
		Assessment centers
		MBO or work planning systems

Source: M.L. Moore and P. Dutton, Training needs analysis: Review and Critique. Academy of Management Review, 3, 1978

- **Organisational climate analysis:** The climate of an organisation speaks about the attitudes of members towards work, company policies, supervisors, etc. Absenteeism, turnover ratios generally reflect the prevailing employee attitudes. These can be used to find out whether training efforts have improved the overall climate within the company or not.
- b. **Task or role analysis:** This is a detailed examination of a job, its components, its various operations and conditions under which it has to be performed. The focus here is on the roles played by an individual and the training needed to perform such roles. The whole exercise is meant to find out how the various

tasks have to be performed and what kind of skills, knowledge, attitudes are needed to meet the job needs. Questionnaires, interviews, reports, tests, observation and other methods are generally used to collect job-related information from time-to-time. After collecting the information, an appropriate training programme may be designed, paying attention to (i) performance standards required of employees, (ii) the tasks they have to discharge, (iii) the methods they will employ on the job and (iv) how they have learned such methods, etc.

- c. **Person analysis:** Here the focus is on the individual in a given job. There are three issues to be resolved through manpower analysis. First, we try to find out whether performance is satisfactory and training is required. Second, whether the employee is capable of being trained and the specific areas in which training is needed. Finally, we need to state whether poor performers (who can improve with requisite training inputs) on the job need to be replaced by those who can do the job. Other options to training such as modifications in the job or processes should also be looked into. Personal observation, performance reviews, supervisory reports, diagnostic tests help in collecting the required information and select particular training options that try to improve the performance of individual workers. (see the Box below)

To be effective, training efforts must continuously monitor and coordinate the three kinds of analyses described above. An appropriate programme that meets the company's objectives, task and employee needs may then be introduced. Further, the training needs have to be prioritised so that the limited resources that are allocated to fill training gaps are put to use in a proper way.

BOX 37: MODEL FORM FOR CONDUCTING A 'TRAINING NEEDS' ASSESSMENT

Conducting a Needs Assessment: A Model Form	
Job _____	Title _____
Interviewer(s) _____	Date _____
Part I Background Information on Interviewee	
Years on the Job _____	Years in the company _____
Educational/Technical Qualifications _____	
Part II Organisational Analysis	
1. In your view, what are the purposes of training ?	
2. Do you think the current training programmes in your firm serve the above purposes?	
3. What do you think would be the responses of your colleagues regarding training in your firm?	
4. Do you think trainees are motivated to attend training? Explain in detail.	
5. Do you think employees in your firm offer any resistance to training? Please advance suggestions to minimise this resistance.	
6. What positive consequences are associated with successful completion of training? (Like increased pay, recognition, greater promotional opportunities) Are there any negative consequences associated with training? (like loss of production, loss of status among co-workers)	
7. Do you think it is difficult for trainees to apply the skills they learned in training once they return to the job? Why or why not?	
8. For training programmes you have attended, are you asked to provide your reactions to the programme? Are you given training tests before and after training to assess a change in your training? If so, describe the types of measures that are used to assess your reactions and learning.	

Contd...

Part III Task and Person Analysis

9. Describe the major duties of your job. Rank them in terms of importance (1= most important)
10. Think about a person who is very effective at your job. What knowledge, skills or abilities does this person possess? Can these skills be enhanced through training? If yes, explain the type of training that might be helpful.
11. Do you foresee any additional job demands being added to the current responsibilities in your job in the next 5 years or so? If yes, what additional skills or abilities will be required to meet these demands?

Identify Training Objectives

Once training needs are identified, objectives should be set to begin meeting these needs.

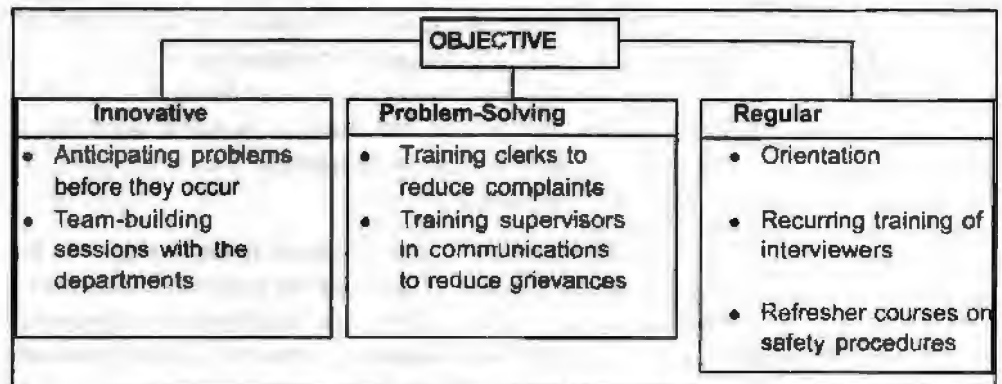


Figure 12: Objectives of Training

As Figure 12 suggests, training objectives can be of three types. The most basic training takes place through orientation programmes. The second type of training objective is problem-solving. The focus is on solving a specific problem instead of providing general information about a problem area. The final objective is innovation. Here the emphasis is on changing the mind set of workers, supervisors and executives working at various levels.

Training Methods

Training methods are usually classified by the location of instruction. On the job training is provided when the workers are taught relevant knowledge, skills and abilities at the actual workplace; off-the-job training, on the other hand, requires that trainees learn at a location other than the real workspot. Some of the widely used training methods are listed below.

1. Job Instruction Training (JIT)

The JIT method (developed during World War II) is a four-step instructional process involving preparation, presentation, performance try out and follow up. It is used primarily to teach workers how to do their current jobs. A trainer, supervisor or co-worker acts as the coach. The four steps followed in the JIT methods are:

- i. The trainee receives an overview of the job, its purpose and its desired outcomes, with a clear focus on the relevance of training.
- ii. The trainer demonstrates the job in order to give the employee a model to copy. The trainer shows a right way to handle the job.
- iii. Next, the employee is permitted to copy the trainer's way. Demonstrations by

the trainer and practice by the trainee are repeated until the trainee masters the right way to handle the job.

- iv. Finally, the employee does the job independently without supervision.

Table 28: Job Instruction Training

Merits	Demerits
<ul style="list-style-type: none"> ● Trainee learns fast through practice and observation. ● It is economical as it does not require any special settings. Also, mistakes can be corrected immediately. ● The trainee gains confidence quickly as he does the work himself in actual setting with ● It is most suitable for unskilled and semi-skilled jobs where the job operations are simple; easy to explain and demonstrate within a short span of time. 	<ul style="list-style-type: none"> ● The trainee should be as good as the trainer. If the trainer is not good, transference of knowledge and skills will be poor. ● While learning, trainee may damage equipment, waste materials, cause accidents frequently. ● Experienced workers cannot use the machinery while it is being used for training.

2. Coaching

Coaching is a kind of daily training and feedback given to employees by immediate supervisors. It involves a continuous process of learning by doing. It may be defined as an informal, unplanned training and development activity provided by supervisors and peers. In coaching, the supervisor explains things and answers questions; he throws light on why things are done the way they are; he offers a model for trainees to copy; conducts lot of decision-making meetings with trainees; procedures are agreed upon and the trainee is given enough authority to make divisions and even commit mistakes. Of course, coaching can be a taxing job in that the coach may not possess requisite skills to guide the learner in a systematic way. Sometimes, doing a full day's work may be more important than putting the learner on track.

When to use coaching usefully? Coaching could be put to good use when :

- an employee demonstrates a new competency
- an employee expresses interest in a different job within the organisation
- an employee seeks feedback
- an employee is expressing low morale, violating company policies or practices or having performance problems
- an employee needs help with a new skill following a formal training programme.

Effective working, obviously, requires patience and communication skills. It involves:

- explaining appropriate ways of doing things
- making clear why actions were taken
- stating observations accurately
- offering possible alternatives / suggestions
- following up

3. Mentoring

Mentoring is a relationship in which a senior manager in an organisation assumes the responsibility for grooming a junior person. Technical, interpersonal and political skills are generally conveyed in such a relationship from the more experienced person. A mentor is a teacher, spouse, counsellor, developer of skills and intellect, host, guide, exemplar, and most importantly, supporter and facilitator in the realisation of the vision the young person (protégé) has about the kind of life he wants as an adult. The main objective of mentoring is to help an employee attain psychological maturity and effectiveness and get integrated with the organisation. In a work situation, such mentoring can take place at both formal and informal levels, depending on the prevailing work culture and the commitment from the top management. Formal mentoring can be very fruitful, if management invests time and money in such relationship building exercises. The important features/processes of mentoring may be presented thus (Figure 13):

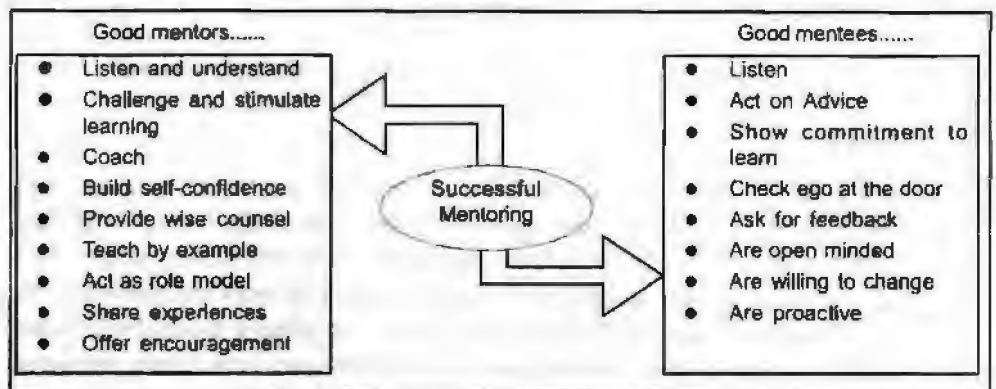


Figure 13: Mentoring Functions

- **Career functions:** Career functions are those aspects of the relationship that enhance career advancement. These include:
 1. **Sponsorship:** Where mentors actively nominate a junior person (called 'mentee') for promotions or desirable positions.
 2. **Exposure and visibility:** Where mentors offer opportunities for mentees to interact with senior executives, demonstrate their abilities and exploit their potential.
 3. **Coaching:** Mentors help mentees to analyse how they are doing their work and to define or redefine their aspirations. Here mentors offer practical advice on how to accomplish objectives and gain recognition from others.
 4. **Protection:** Mentors shield the junior person from harmful situations/seniors.
 5. **Challenging assignments:** Mentors help mentees develop necessary competencies through challenging job assignments and appropriate feedback. Mentors create opportunities for their clients to prove their worth – to demonstrate clearly what they have to offer.
- **Psychological functions:** Psychological functions are those aspects that enhance the mentee's sense of competence, and identify effectiveness in a professional role. These include:

1. **Role modelling:** Mentors offer mentees a pattern of values and behaviours to imitate.
2. **Acceptance and confirmation:** Mentors offer support, guidance and encouragement to mentees so that they can solve the problems independently and gain confidence in course of time. Mentors also help people to learn about the organisation's culture and understand why things are done in certain ways.
3. **Counselling:** Mentors help mentees work out their personal problems, learn about what to do and what not to do, offer advice on what works and what doesn't, and do everything to demonstrate improved performance and prepare themselves for greater responsibility.
4. **Friendship:** Mentors offer practical help and support to mentees so that they can indulge in mutually satisfying social interactions (with peers, subordinates, bosses and customers)

Table 29: Merits and Demerits of Mentoring

Merits	Demerits
<ul style="list-style-type: none"> • There is an excellent opportunity to learn • Constant guidance helps the mentee to be on track, using facilities to good advantage. 	<ul style="list-style-type: none"> • It may create feelings of jealousy among, quickly through continuous interaction, other workers who are not able to show equally good performance. • If mentors form overly strong bonds with trainees, unwarranted favouritism may result. This can have a demoralising effect on other workers, affecting their work performance in a negative way.

Mentoring in India is based on the time-honoured guru-shishya relationship where the guru would do everything to develop the personality of the shishya, offering emotional support, and guidance. Companies like TISCO, Neyveli Lignite Corporation, Polaris, Coca-Cola India have used mentoring systems to good effect in recent times (Economic Times, 25 Oct., 2002). Organisations like General Electric, Intel, Proctor & Gamble have given a lot of importance to mentoring programmes, going even gone to the extent of penalising senior managers if they fail to develop leadership skills among subordinates. Of course, mentoring is not without its problems. Mentors who are dissatisfied with their jobs and those who teach or narrow or distorted view of events may not help a protégé's development. Not all mentors are well prepared to transfer their skills and wisdom to their junior colleagues. When young people are bombarded with conflicting viewpoints – about how things should go – from a series of advisors, they may find it difficult to get ahead with confidence. Mentoring can succeed if (i) there is genuine support and commitment from top management (ii) mentors take up their job seriously and transfer ideas, skills and experiences in a systematic way and (iii) mentees believe in the whole process and carry out things in an appropriate manner.

4. Job Rotation

This kind of training involves the movement of trainee from one job to another. This helps him to have a general understanding of how the organisation functions. The purpose of job rotation is to provide trainees with a larger organisational perspective and a greater understanding of different functional areas as well as a better sense of their own career objectives and interests. Apart from relieving boredom, job rotation allows trainees to build rapport with a wide range of individuals within the organisation, facilitating future cooperation among departments. The cross-trained personnel offer a great amount of flexibility for organisations when transfers, promotions or replacements become inevitable.

Job rotation may pose several problems, especially when the trainees are rolled on various jobs at frequent intervals. In such a case, trainees do not usually stay long enough in any single phase of the operation to develop a high degree of expertise. For slow learners, there is little room to integrate resources properly. Trainees can become confused when they are exposed to rotating managers, with contrasting styles of operation. Today's manager's commands may be replaced by another set from another manager! Further, job rotation can be quite expensive. A substantial amount of managerial time is lost when trainees change positions, because they must be acquainted with different people and techniques in each department. Development costs can go up and productivity is reduced by moving a trainee into a new position when his efficiency levels begin to improve at the prior job. Inexperienced trainees may fail to handle new tasks in an efficient way. Intelligent and aggressive trainees, on the other hand, may find the system to be thoroughly boring as they continue to perform more or less similar jobs without any stretch, pull and challenge. To get the best results out of the system, it should be tailored to the needs, interests and capabilities of the individual trainee, and not be a standard sequence that all trainees undergo. Table 30 presents the merits and demerits of job rotation:

Table 30: Job Rotation: Merits and Demerits

Merits	Demerits
<ul style="list-style-type: none"> Improves participant's job skills, job satisfaction 	<ul style="list-style-type: none"> Increased workload for participants
<ul style="list-style-type: none"> Provides valuable opportunities to network within the organisation 	<ul style="list-style-type: none"> Constant job change may produce stress and anxiety
<ul style="list-style-type: none"> Offers faster promotions and higher salaries to quick learners 	<ul style="list-style-type: none"> Mere multiplication of duties do not enrich the life of a trainee
<ul style="list-style-type: none"> Lateral transfers may be beneficial in rekindling enthusiasm and developing new talents 	<ul style="list-style-type: none"> Development costs may shoot up when trainees commit mistakes, handle tasks less optimally

5. Apprenticeship Training

Most craft workers such as plumbers and carpenters are trained through formal apprenticeship programmes. Apprentices are trainees who spend a prescribed amount of time working with an experienced guide, coach or trainer. Assistantships and internships are similar to apprenticeships because they also demand high levels of participation from the trainee. An internship is a kind of on-the-job training that usually combines job training with classroom instruction in trade schools, colleges or universities. Coaching, as explained above, is similar to apprenticeship because the coach attempts to provide a model for the trainee to copy. One important disadvantage of the apprenticeship methods is the uniform period of training offered to trainees. People have different abilities and learn at varied rates. Those who learn fast may quit the programme in frustration. Slow learners may need additional training time. It is also likely that in these days of rapid changes in technology, old skills may get outdated quickly. Trainees who spend years learning specific skills may find, upon completion of their programmes, that the job skills they acquired are no longer appropriate.

6. Committee Assignments

In this method, trainees are asked to solve an actual organisational problem. The trainees have to work together and offer solution to the problem. Assigning talented employees to important committees can give these employees a broadening experience and can help them to understand the personalities, issues and processes governing the organisation. It helps them to develop team spirit and work unitedly toward common goals. However, managers should very well understand that committee assignments could become notorious time-wasting activities.

The above on-the-job methods are cost effective. Workers actually produce while they learn. Since immediate feedback is available, they motivate trainees to observe

and learn the right way of doing things. Very few problems arise in the case of transfer of training because the employees learn in the actual work environment where the skills that are learnt are actually used. On-the-job methods may cause disruptions in production schedules. Experienced workers cannot use the facilities that are used in training. Poor learners may damage machinery and equipment. Finally, if the trainer does not possess teaching skills, there is very little benefit to the trainee.

Off-the-Job Methods

Under this method of training, the trainee is separated from the job situation and his attention is focused upon learning the material related to his future job performance. Since the trainee is not distracted by job requirements, he can focus his entire concentration on learning the job rather than spending his time in performing it. There is an opportunity for freedom of expression for the trainees. Off-the-job training methods are as follows:

- a. **Vestibule training:** In this method, actual work conditions are simulated in a class room. Material, files and equipment – those that are used in actual job performance are also used in the training. This type of training is commonly used for training personnel for clerical and semi-skilled jobs. The duration of this training ranges from a few days to a few weeks. Theory can be related to practice in this method.
- b. **Role playing:** It is defined as a method of human interaction that involves realistic behaviour in imaginary situations. This method of training involves action, doing and practice. The participants play the role of certain characters, such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman, workers and the like. This method is mostly used for developing interpersonal interactions and relations.
- c. **Lecture method:** The lecture is a traditional and direct method of instruction. The instructor organises the material and gives it to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees. An advantage of lecture method is that it is direct and can be used for a large group of trainees. Thus, costs and time involved are reduced. The major limitation of the lecture method is that it does not provide for transfer of training effectively.
- d. **Conference/discussion approach:** In this method, the trainer delivers a lecture and involves the trainee in a discussion so that his doubts about the job get clarified. When big organisations use this method, the trainer uses audio-visual aids such as blackboards, mockups and slides; in some cases the lectures are videotaped or audio taped. Even the trainee's presentation can be taped for self-confrontation and self-assessment. The conference is, thus, a group-centred approach where there is a clarification of ideas, communication of procedures and standards to the trainees. Those individuals who have a general educational background and whatever specific skills are required – such as typing, shorthand, office equipment operation, filing, indexing, recording, etc. – may be provided with specific instructions to handle their respective jobs.
- e. **Programmed instruction:** This method has become popular in recent years. The subject-matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instruction. The trainee goes through these units by answering questions or filling the blanks. This method is, thus, expensive and time-consuming.

Behaviourally Experienced Training

Some training programmes focus on emotional and behavioural learning. Here employees can learn about behaviour by role playing in which the role players attempt to act their part in respect of a case, as they would behave in a real-life situation. Business games, cases, incidents, group discussions and short assignments are also used in behaviourally-experienced learning methods. Sensitivity training or laboratory training is an example of a method used for emotional learning. The focus of experiential methods is on achieving, through group processes, a better understanding of oneself and others. These are discussed elaborately in the section covering Executive Development Programmes.

Evaluation of a Training Programme

The specification of values forms a basis for evaluation. The basis of evaluation and the mode of collection of information necessary for evaluation should be determined at the planning stage. The process of training evaluation has been defined as “any attempt to obtain information on the effects of training performance and to assess the value of training in the light of that information.” Evaluation helps in controlling and correcting the training programme. Hamblin suggested five levels at which evaluation of training can take place, viz., reactions, learning, job behaviour, organisation and ultimate value.

1. **Reactions:** Trainee’s reactions to the overall usefulness of the training including the coverage of the topics, the method of presentation, the techniques used to clarify things, often throw light on the effectiveness of the programme. Potential questions to trainees might include : (i) What were your learning goals for the programme? (ii) Did you achieve them? (iii) Did you like this programme? (iv) Would you recommend it to others who have similar learning goals? (v) What suggestions do you have for improving the programme? (vi) Should the organisation continue to offer it ?
2. **Learning:** Training programme, trainer’s ability and trainee’s ability are evaluated on the basis of quantity of content learned and time in which it is learned and learner’s ability to use or apply the content learned.
3. **Job behaviour:** This evaluation includes the manner and extent to which the trainee has applied his learning to his job.
4. **Organisation:** This evaluation measures the use of training, learning and change in the job behaviour of the department/organisation in the form of increased productivity, quality, morale, sales turnover and the like.
5. **Ultimate value:** It is the measurement of ultimate result of the contributions of the training programme to the company goals like survival, growth, profitability, etc. and to the individual goals like development of personality and social goals like maximising social benefit.

An example of an assessment form to be completed by trainees is given in Box No. 38.

Decision Points in Planning Training Evaluation

John Dopyera and Louise Pitone identified eight decision points in planning training evaluation. They are:

1. Should an evaluation be done? Who should evaluate?

2. What is the purpose of evaluation? There are mainly two purposes of doing evaluation. They are justification evaluation and determination evaluation. Justification evaluations are undertaken as reactions to mandates, other purposes that will make evaluation efforts more fruitful. These purposes include training needs assessment, programme improvements and impact evaluation.

BOX 38: AN EXAMPLE OF A TRAINEE REACTION QUESTIONNAIRE

Evaluation Questionnaire
(Please return this form unsigned to Development Group)

1. Considering everything, how would you rate this program? (Check one)
Unsatisfactory _____ Satisfactory _____ Good _____ Outstanding _____

Please explain briefly the reasons for the rating you have given:

2. Were your expectations: exceeded _____ matched _____ fallen below _____? (Check one)

3. Are you going to recommend this training program to other members of your department?
Yes _____ No _____ If you checked "yes," please describe the job titles held by the people to whom you would recommend this program?

4. Please rate the relative value (1 = very valuable; 2 = worthwhile; 3 = negligible) of the following components of the training program to you:

Videocassettes	_____	Role-playing exercises	_____
Workbooks	_____	Small group discussion	_____
Small group discussions	_____	Lectures	_____

5. Please rate the main lecturer's presentation (1 = not effective; 2 = somewhat effective; 3 = very effective) in terms of:
Ability to Communicate _____
Emphasis on Key Points _____
Visual Aids _____
Handout Materials _____

6. Please rate the following cases, readings, and videocassettes by placing a checkmark in the appropriate column.

	Excellent	Good	Fair	Poor
Overcoming Resistance to Change				
Reviewing Performance Goals				
Setting Performance Goals				
Handling Employee Performance				
Slate Co.				
Supenor Slate Quarry				
McGregor's Theory X and Y				
Henry Manufacturing				
First Federal Savings				
Claremont Industries				

7. Was the ratio of lectures to cases (check one); High _____ Ok _____ Low _____?

8. Were the videocassettes pertinent to your work? (check one)
To most of my work _____
To some of my work _____
To none of my work _____

9. To help the training director and the staff provide further improvements in future programs, please give us your frank opinion of each case discussion leader's contribution to your learning. (Place your checkmarks in the appropriate boxes.)

	Excellent	Above Average	Average	Below Average	Poor
DAVIS					
GLEASON					
LARD					
MARTIN					
PONTELLO					
SHALL					
SOMMERS					
WILSON					
ZIMMER					

10. How would you evaluate your participation in the program? (check)
Over workload: Too heavy _____ Too heavy _____ Top light _____
Case preparation: Too heavy _____ Too heavy _____ Top light _____
Homework assignments: Too heavy _____ Too heavy _____ Top light _____

11. What suggestions do you have for improving the program?

3. What will be measured? The focus of the evaluation will be on training and delivery, programme content, materials, impact of training on individuals through learning, behaviour or performance change. Learning can be measured through pre-test and post-test. Evaluate the effects of training after the trainee returns to the work place, using changes in between or the work results as indicators.
4. How comprehensive will the evaluation be? The scope or the duration and comprehensiveness of the evaluation is influenced by available support, communication and evaluation purpose.
5. Who has the authority and responsibility? Who has the authority and responsibility at different stages of evaluation will be determined by the factors like personnel, credibility of internal staff, communication, objectivity of internal staff to do an evaluation regardless of results.
6. What are the sources of data? The most common sources of evaluation data are reactions, opinions and/or test results of the participants, managers, supervisors, production records, quality control, financial records, personnel records, safety records, etc.
7. How will the data be collected and compiled? Data can be collected before training for needs analysis or pre-testing purpose, during training programme to make improvements along the way and after training for evaluation. Next step is selection of treatment or control groups and determination of nature of samples. Data can be compiled either manually or by computers.
8. How will the data be analysed and reported? First reporting issue is concerned with audiences like participants or trainees, training staff, managers, customers etc. Second and third issues are concerned with analysis and results and accuracy, policies and format respectively.

These decision points are intended to increase awareness of, and interest in, the evaluation of training, to improve planning skills and to encourage more systematic evaluation of training.

Methods of Evaluation

Various methods can be used to collect data on the outcomes of training. Some of these are:

- **Questionnaires:** Comprehensive questionnaires could be used to obtain opinions, reactions, views of trainees.
- **Tests:** Standard tests could be used to find out whether trainees have learnt anything during and after the training.
- **Interviews:** Interviews could be conducted to find the usefulness of training offered to operatives.
- **Studies:** Comprehensive studies could be carried out eliciting the opinions and judgements of trainers, superiors and peer groups about the training.
- **Human resource factors:** Training can also be evaluated on the basis of employee satisfaction, which in turn can be examined on the basis of decrease in employee turnover, absenteeism, accidents, grievances, discharges, dismissals, etc.
- **Cost benefit analysis:** The costs of training (cost of hiring trainers, tools to learn, training centre, wastage, production stoppage, opportunity cost of trainers

and trainees) could be compared with its value (in terms of reduced learning time, improved learning, superior performance) in order to evaluate a training programme.

- **Feedback:** After the evaluation, the situation should be examined to identify the probable causes for gaps in performance. The training evaluation information (about costs, time spent, outcomes, etc.) should be provided to the instructors, trainees and other parties concerned for control, correction and improvement of trainees' activities. The training evaluator should follow it up sincerely so as to ensure effective implementation of the feedback report at every stage.

Summary

- Training is a planned programme designed to improve performance and to bring about measurable changes in knowledge, skills, attitude and social behaviour of employees.
- Training makes employees versatile, mobile, flexible and useful to the organisation.
- Development is future-oriented training, focusing on the personal growth of the employee.
- Learning principles are the guidelines to the way people learn most effectively. More effective training incorporates more of these principles.
- The various types of training include: skills training, refresher training, cross functional training, team training, creativity training, diversity training, and literacy training.
- In order to have effective training programmes, the systems approach is recommended. The systems approach consists of three phases: needs assessment, implementation and evaluation.
- Needs assessment covers: organisation analysis, task and performance analysis and manpower analysis.
- Formal training methods include (i) on-the-job training covering job instruction training, coaching, mentoring, job rotation, apprenticeship training, committee assignments and (ii) off-the-job training includes lectures, conferences, simulation exercises and programmed instruction.
- Training can be evaluated at five levels: reaction, learning, behaviour, organisation and results.

Terminology

- **Training:** A planned programme designed to improve performance and bring about measurable changes in knowledge, skills, attitude and social behaviour of employees
- **Development:** Broadening an individual's knowledge, skills and abilities for future responsibilities
- **Education:** Conceptual learning that improves understanding of a subject/theme
- **Modelling:** Copying someone else's behaviour
- **Diversity:** Differences among people
- **Reinforcement:** A concept that people tend to repeat responses that give them

some type of positive reward and avoid actions associated with negative consequences

- **Mentoring:** An experienced employee offering guidance and support to a junior employee so that the latter learns and advances in the organisation.
- **Job instruction training:** Training received directly on the job.
- **Obsolescence:** A condition that results when an employee loses the knowledge or abilities to perform successfully due to changes in the field.
- **Feedback:** The process of providing trainees with information about their performance.
- **Job rotation:** Moving a trainee from job to job so as to provide cross training.
- **Role playing:** A development technique requiring the trainee to assume a role in a given situation and act out behaviours associated with that role.
- **Vestibule training:** A training method involving the creation of training facilities separate from the regular production area but with the same equipment.
- **On-the-job training:** Any training technique that involves allowing the person to learn the job by actually performing it on the job.
- **Punishment:** Reinforcement that is aimed at reducing undesirable behaviour by associating that behaviour with a painful consequence.
- **Counselling:** The discussion of an employee's problem with the general objective of helping the employee cope with it.
- **Simulations:** Any artificial environment that tries to closely mirror an actual condition. These include case studies, decision games, role plays, etc.
- **Apprenticeship:** A training method that puts trainees under the guidance of a master worker, typically for 2-5 years.
- **Case:** An in-depth description of a particular situation an employee might encounter on the job.
- **Task analysis:** Process of determining what the content of a training programme should be on the basis of a study of the tasks and duties involved in the job.
- **In-basket:** A method where the trainee is required to examine a basket full of papers and files relating to his area and make recommendations on problems contained therein.
- **Person analysis:** Assessment of employee performance and the knowledge and skill necessary to reach that level of performance.

References

1. ● W. Fitzgerald, "Training versus Development," *Training & Development*, 46, 1992.
- D.E. Bartz et al, "Differences between T and D," *Personnel Administrator*, 34, 1989.
- R. Lynton, U. Pareek, "Training for Development", New Delhi, Sage Publications, 2002.
- W. McGhee, P.W. Thayer, "Training in Business and Industry", John Wiley, London, 1961.

- K. Dayal, "Management Training in Organisations", Prentice Hall, New Delhi, 1970.
- 2. R.A. Noe, "Employee Training and Development", Burr Ridge IL, McGraw Hill, Irwin, 1999.
- 3. ● M.J. Tessin, "Once Again, Why Training," Training, Feb., 1978.
- C.C. Morrow et al, "An Investigation of the Effect and Economic Utility of Corporate Wide Training," Personnel Psychologies, 50, 1997.
- 4. ● R.E. Silverman, "Learning Theory Applied to Training", Reading, M.A, Addison-Wesley, 1970.
- I.L. Goldstein, "Training in Organisations", Monterey, C.A., Brooks, 1993.
- R.M. Gagne, "The conditions of learning", New York, Holt, Rinehart and Winston, 1977.
- 5. ● R. D. Zalman, "The Basics of In-house Skills Training", HR Magazine, 34, Feb 1990.
- T.L. Smith, "The Basics of Basic-skills Training", Training and Development, 49, April 1995.
- I.H. Buchen, "How to get the most from team training", HR Focus, 72, March, 1995.
- P. Das, B. Parker, "Strategies for Managing Human Resource: From Resistance to Learning," Academy of management Executive, 13, May 1999.
- S. Overman, "Retraining our workforce", HR Magazine, October 1993.
- M. Messner, "Cross-discipline Training", Management Review, 81, 1992.
- M. Hequet, "Creativity Training gets Creative", Training, Feb. 1992.
- P. Kawatra, How to train for creativity? Business Today, Jan 7-21, 1996.
- C.M. Solomon, "Creativity Training", Personal Journal, 69, 1990.
- K. Jordan, "Diversity Training in the Workplace Today", Journal of Career Planning and Employment, 59, 1998.
- L.E.O. Day, "The Pitfalls of Diversity Training", Training and Development, 49, October 1995.
- 6. ● M.L. Moore, P. Dutton, "Training Needs Analysis: Review and Critique". Academy of Management Review, 3, 1978.
- A. Rossett, "Overcoming obstacles to Needs Assessment", Training, 27, 1990.
- J.W. Thacker, "Effective Training, Englewood Cliffs", NJ, Prentice Hall, 1999.
- 7. ● K.E. Kram, "Mentoring at Work", Glenview, Scott Foresman, 1985.
- K. Tyler, "Mentoring Programs link Employees and Experienced Executives", HR Magazine, April 1998.
- K.H. Danskey, "The Effects of Group Mentoring on Career Outcomes", Group and Organisation Management, 21, March 1996.

- M. Starcevich, F. Friend, "Effective Mentoring Relationships from the Mentee's Perspective", *Workforce*, July 1999.
8. ● K. Wesley and G. Latham, "Developing and Training Human Resources in Organisations", *Glenview II: Scott., Foresman*, 1981.
 - M. Campion et al, "Career-related Antecedents and Outcomes of Job Rotation", *Academy of Management Journal*, 37, 1994.
 9. ● A. Hamblin, "Evaluation and Control of Training", New York, McGraw Hill, 1990.
 - Donald L. Kirkpatrick, *Evaluation of Training*, in Robert L. Craig, (ed.), "Training and Development Handbook: A Guide to Human Resources Development", 2nd ed. New York: McGraw-Hill, 1976.
 - John Dopyera and Louise Pitone, "Decision Points in Planning the Evaluation of Training", *Training and Development Journal*, 37, 1983.
 - John H. Zenger, Kenneth Hargis, "Assessing Training Results: It's Time to take the Plunge!", *Training and Development Journal*, 36, 1982.

Review Questions

1. What are the reasons for the growing usage of external training in present-day organisations?
2. What are the objectives of employee training? Explain the benefits of training.
3. What do you mean by 'training'? Distinguish between training, development and education.
4. Explain the various methods of training.
5. Distinguish between induction and training. Explain the importance of on-the-job training.
6. Briefly outline the steps involved in conducting a training programme in a systematic way.
7. How will you determine the training needs of an industrial organisation?
8. Write short notes on:
 - Types of training
 - Evaluation of training
 - On the job training
 - Principles of training
9. Explain whether and how the effectiveness of training programmes can be evaluated.
10. What are the principles that should be kept in mind while designing a sound employee training programme?

Discussion Questions

1. "Training programmes are helpful to avoid personnel obsolescence". Discuss.
2. Describe how you would use some of the learning concepts presented in the chapter in training someone to operate a fax machine.

3. Suppose you are the manager of an accounts receivable unit in a large company. You are switching to a new system of billing and record keeping and need to train you supervisors and thirty two employees in the new procedures. What training method(s) would you use ? Why ?
4. You are training someone to use a new accounting software package in a medium-sized firm. What training method(s) would you use ? Why ?
5. How would you identify the training needs of a group of sales employees of a large public sector insurance company facing stiff competition from private sector insurance companies in recent times?
6. Training programmes are usually the first casualties when management decides to cut costs. Why do you believe this occurs?
7. How are external changes in the environment of business affecting the training and development function in human resource departments?

JOB EVALUATION AND WAGE DETERMINATION

O U T L I N E

- | O U T L I N E | |
|---------------|--|
| 1. | Job Evaluation: Concept |
| 2. | Job Evaluation vs Performance Appraisal |
| 3. | Essentials for the Success of a Job Evaluation Programme |
| 4. | Job Evaluation Methods |
| 5. | Limitations of Job Evaluation |
| 6. | Objectives of Compensation Planning |
| 7. | Components of Pay Structure in India |
| 8. | Wage and Salary Administration |
| 9. | Objectives |
| 10. | Principles of Wage and Salary Administration |
| 11. | The Elements of Wage and Salary System |
| 12. | Factors Influencing Compensation Levels |
| 13. | Wage policy |
| 14. | Wage Policy in India |
| 15. | State Regulation of Wages |
| 16. | Bonus |
| 17. | Wage Differentials |
| 18. | Are Wage Differentials Justified? |
| 19. | Choices in Designing a Compensation System |
| 20. | Managerial Compensation |
| 21. | Indian Practices |

Job Evaluation: Concept

Job evaluation is a systematic way of determining the value/worth of a job in relation to other jobs in an organisation. It tries to make a systematic comparison between jobs to assess their relative worth for the purpose of establishing a rational pay structure.

Job evaluation needs to be differentiated from job analysis. Job analysis is a systematic way of gathering information about a job. Every job evaluation method requires at least some basic job analysis in order to provide factual information about the jobs concerned. Thus, job evaluation begins with job analysis and ends at that point where the worth of a job is ascertained for achieving pay-equity between jobs.

Job Evaluation vs Performance Appraisal

Job evaluation is different from performance appraisal. PA is the systematic description of an employee's job-related strengths and weaknesses. The basic purpose of PA is to find out how well the employee is doing the job and establish a plan for improvement. The aim of job evaluation is to find the relative value/worth of a job and determine what a fair wage for such a job should be. The differences between the two may be presented thus:

Table 31: Job Evaluation vs Performance Appraisal

Point	Job Evaluation	Performance Appraisal
Define	Find the relative worth of a job.	Find the worth of a job holder.
Aim	Determine wage rates for different jobs.	Determine incentives and rewards for superior performance.
Shows	How much a job is worth.	How well an individual is doing an assigned work.

Features

The purpose of job evaluation is to produce a defensive ranking of jobs on which a rational and acceptable pay structure can be built. The important features of job evaluation may be summarised thus:

- It tries to assess jobs, not people.
- The standards of job evaluation are relative, not absolute.
- The basic information on which job evaluations are made is obtained from job analysis.
- Job evaluations are carried out by groups, not by individuals.
- Some degree of subjectivity is always present in job evaluation.
- Job evaluation does not fix pay scales, but merely provides a basis for evaluating a rational wage structure.

Process of Job Evaluation

The process of job evaluation involves the following steps:

- **Gaining acceptance:** Before undertaking job evaluation, top management must explain the aims and uses of the programme to the employees and unions. To elaborate the programme further, oral presentations could be made. Letters, booklets could be used to classify all relevant aspects of the job evaluation programme.
- **Creating job evaluation committee:** It is not possible for a single person to evaluate all the key jobs in an organisation. Usually a job evaluation committee consisting of experienced employees, union representatives and HR experts is created to set the ball rolling.
- **Finding the jobs to be evaluated:** Every job need not be evaluated. This may be too taxing and costly. Certain key jobs in each department may be identified. While picking up the jobs, care must be taken to ensure that they represent the type of work performed in that department.
- **Analysing and preparing job description:** This requires the preparation of a

job description and also an analysis of job needs for successful performance .

- **Selecting the method of evaluation:** The most important method of evaluating the jobs must be identified now, keeping the job factors as well as organisational demands in mind.
- **Classifying jobs:** The relative worth of various jobs in an organisation may be found out after arranging jobs in order of importance using criteria such as skill requirements, experience needed, under which conditions job is performed, type of responsibilities to be shouldered, degree of supervision needed, the amount of stress caused by the job, etc. Weights can be assigned to each such factor. When we finally add all the weights, the worth of a job is determined. The points may then be converted into monetary values.
- **Installing the programme:** Once the evaluation process is over and a plan of action is ready, management must explain it to employees and put it into operation.
- **Reviewing periodically:** In the light of changes in environmental conditions (technology, products, services, etc.) jobs need to be examined closely. For example, the traditional clerical functions have undergone a rapid change in sectors like banking, insurance and railways, after computerisation. New job descriptions need to be written and the skill needs of new jobs need to be duly incorporated in the evaluation process. Otherwise, employees may feel that all the relevant job factors – based on which their pay has been determined – have not been evaluated properly.

Essentials for the Success of a Job Evaluation Programme

Following are the essentials for the success of a job evaluation programme:

1. Compensable factors should represent all of the major aspects of job content. Compensable factors selected should (a) avoid excessive overlapping or duplication; (b) be definable and measurable; (c) be easily understood by employees and administrators; (d) not cause excessive installation or administrative cost; and (e) be selected with legal considerations in mind.
2. Operating managers should be convinced about the techniques and programme of job evaluation. They should also be trained in fixing and revising the wages based on job evaluation.
3. All the employees should be provided with complete information about job evaluation techniques and programme.
4. All groups and grades of employees should be covered by the job evaluation programme.
5. The programme of – and techniques selected for – job evaluation should be easy to understand by all the employees.
6. Trade unions acceptance and support to the programme should be obtained.

Experts have advanced certain guidelines for conducting the job evaluation programme in a systematic way:

1. Rate the job – not the person or employee on the job.
2. Strive to collect all the facts accurately.
3. Look especially for distinguishing features of jobs and for relationships to other jobs.

4. Study jobs independently and objectively, and then discuss views thoroughly and open-mindedly before reaching final decisions.
5. Job evaluation must be conducted systematically, based on factual and accurate information.
6. The results of job evaluation must be fair and rational and unbiased to the individuals being affected.

Benefits

The pay offs from job evaluation may be stated thus:

- It tries to link pay with the requirements of the job.
- It offers a systematic procedure for determining the relative worth of jobs. Jobs are ranked on the basis of rational criteria such as skill, education, experience, responsibilities, hazards, etc., and are priced accordingly.
- An equitable wage structure is a natural outcome of job evaluation. An unbiased job evaluation tends to eliminate salary inequities by placing jobs having similar requirements in the same salary range.
- Employees as well as unions participate as members of job evaluation committee while determining rate grades for different jobs. This helps in solving wage related grievances quickly.
- Job evaluation, when conducted properly and with care, helps in the evaluation of new jobs.
- It points out possibilities of more appropriate use of the plant's labour force by indicating jobs that need more or less skilled workers than those who are manning these jobs currently.

Job Evaluation Methods

There are three basic methods of job evaluation: (1) ranking, (2) classification, (3) factor comparison. While many variations of these methods exist in practice, the three basic approaches are described here.

Ranking Method

Perhaps the simplest method of job evaluation is the ranking method. According to this method, jobs are arranged from highest to lowest, in order of their value or merit to the organisation. Jobs can also be arranged according to the relative difficulty in performing them. The jobs are examined as a whole rather than on the basis of important factors in the job; the job at the top of the list has the highest value and obviously the job at the bottom of the list will have the lowest value.

Jobs are usually ranked in each department and then the department rankings are combined to develop an organisational ranking. The following table is a hypothetical illustration of ranking of jobs.

Table 32: Array of Jobs according to the Ranking Method

Rank	Monthly salaries
1. Accountant	Rs 3000
2. Accounts clerk	Rs 1800
3. Purchase assistant	Rs 1700
4. Machine-operator	Rs 1400
5. Typist	Rs 900
6. Office boy	Rs 600

The variation in payment of salaries depends on the variation of the nature of the job performed by the employees. The ranking method is simple to understand and practice and it is best suited for a small organisation. Its simplicity however works to its disadvantage in big organisations because rankings are difficult to develop in a large, complex organisation. Moreover, this kind of ranking is highly subjective in nature and may offend many employees. Therefore, a more scientific and fruitful way of job evaluation is called for.

Classification Method

According to this method, a predetermined number of job groups or job classes are established and jobs are assigned to these classifications. This method places groups of jobs into job classes or job grades. Separate classes may include office, clerical, managerial, personnel, etc. Following is a brief description of such a classification in an office.

- a. **Class I - Executives:** Further classification under this category may be Office Manager, Deputy office manager, Office superintendent, Departmental supervisor, etc.
- b. **Class II - Skilled workers:** Under this category may come the Purchasing assistant, Cashier, Receipts clerk, etc.
- c. **Class III - Semiskilled workers:** Under this category may come Stenotypists, Machine-operators, Switchboard operator, etc.
- d. **Class IV - Semiskilled workers:** This category comprises Daftaris, File clerks, Office boys, etc.

The job classification method is less subjective when compared to the earlier ranking method. The system is very easy to understand and acceptable to almost all employees without hesitation. One strong point in favour of the method is that it takes into account all the factors that a job comprises. This system can be effectively used for a variety of jobs.

The weaknesses of the job classification method are:

- Even when the requirements of different jobs differ, they may be combined into a single category, depending on the status a job carries.
- It is difficult to write all-inclusive descriptions of a grade.
- The method oversimplifies sharp differences between different jobs and different grades.
- When individual job descriptions and grade descriptions do not match well, the evaluators have the tendency to classify the job using their subjective judgements.

Factor Comparison Method

A more systematic and scientific method of job evaluation is the factor comparison method. Though it is the most complex method of all, it is consistent and appreciable. Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors. These factors include mental effort, physical effort, skill needed, responsibility, supervisory responsibility, working conditions and other such factors (for instance, know-how, problem-solving abilities, accountability, etc.). Pay will be assigned in this method by comparing the weights of the factors required for each job, i.e., the present wages paid for key jobs may be divided among the factors weighted by importance (the most important factor, for instance, mental effort, receives the highest weight). In other words, wages are assigned to the job in comparison to its ranking on each job factor.

The steps involved in factor comparison method may be briefly stated thus:

- Select key jobs (say 15 to 20), representing wage/salary levels across the organisation. The selected jobs must represent as many departments as possible.
- Find the factors in terms of which the jobs are evaluated (such as skill, mental effort, responsibility, physical effort, working conditions, etc.).
- Rank the selected jobs under each factor (by each and every member of the job evaluation committee) independently.
- Assign money value to each factor and determine the wage rates for each key job.
- The wage rate for a job is apportioned along the identified factors.
- All other jobs are compared with the list of key jobs and wage rates are determined.

An example of how the factor comparison method works is given below:

Table 33: An Example of Factor Comparison Method

Factors Key Job	Daily Wage Rate	Physical effort	Factors mental effort	Skill	Responsibility	Working conditions
Electrician	60	11(3)	14(1)	15(1)	12(1)	8(2)
Fitter	50	14(1)	10(2)	9(2)	8(2)	9(1)
Welder	40	12(2)	7(3)	8(3)	7(3)	6(3)
Cleaner	30	9(4)	6(4)	4(5)	6(4)	5(4)
Labourer	25	8(5)	4(5)	6(4)	3(5)	4(5)

After the wage rate for a job is distributed along the identified and ranked factors, all other jobs in the department are compared in terms of each factor. Suppose the job of a 'painter' is found to be similar to electrician in skill (15), fitter in mental effort (10), welder in physical effort (12)-cleaner in responsibility (6) and labourer in working conditions (4). The wage rate for this job would be (15+10+12+6+4) is 47.

Table 34: Merits and Demerits of Factor Comparison Method

Merits	Demerits
<ul style="list-style-type: none"> Analytical and objective. Relative and valid as each job is compared jobs with all other jobs in terms of key factors. Money values are assigned in a fair way based on an agreed rank order fixed by the job evaluation committee Flexible, as there is no upper limitation on the rating of a factor. 	<ul style="list-style-type: none"> Difficult to understand, explain and operate. Its use of the same criteria to assess all jobs is questionable as jobs differ across and within organisations. Time-consuming and costly.

Point Method

This method is widely used currently. Here, jobs are expressed in terms of key factors. Points are assigned to each factor after prioritising each factor in order of importance. The points are summed up to determine the wage rate for the job. Jobs with similar point totals are placed in similar pay grades. The procedure involved may be explained thus:

- Select key jobs. Identify the factors common to all the identified jobs such as skill, effort, responsibility, etc.
- Divide each major factor into a number of sub-factors. Each sub-factor is defined and expressed clearly in the order of importance, preferably along a scale.

The most frequent factors employed in point systems are (i) Skill (key factor); Education and training required, Breadth/depth of experience required, Social skills required, Problem-solving skills, Degree of discretion/use of judgement, Creative thinking (ii) Responsibility/Accountability: Breadth of responsibility, Specialised responsibility, Complexity of the work, Degree of freedom to act, Number and nature of subordinate staff, Extent of accountability for equipment/plant, Extent of accountability for product/materials; (iii) Effort: Mental demands of a job, Physical demands of a job, Degree of potential stress.

The educational requirements (sub-factor) under the skill (key factor) may be expressed thus in the order of importance.

BOX 39

Degree	Define
1	Able to carry out simple calculations; High School educated
2	Does all the clerical operations; computer literate; graduate
3	Handles mail, develops contacts, takes initiative and does work independently; post graduate

Assign point values to degrees after fixing a relative value for each key factor.

Table 35

Factor	Point values for Degrees					Total	
	1	2	3	4	5		
Skill	10	20	30	40	50	150	
Physical effort	8	16	24	32	40	120	
Mental effort	5	10	15	20	25	75	
Responsibility	7	14	21	28	35	105	
Working conditions	6	12	18	24	30	90	
Maximum total points of all factors depending on their importance to job						=	540

(Bank Officer)

- c. Find the maximum number of points assigned to each job (after adding up the point values of all sub-factors of such a job). This would help in finding the relative worth of a job. For instance, the maximum points assigned to an officer's job in a bank come to 540. The manager's job, after adding up key factors + sub factors points, may be getting a point value of say 650 from the job evaluation committee. This job is now priced at a higher level.
- d. Once the worth of a job in terms of total points is expressed, the points are converted into money values keeping in view the hourly/daily wage rates. A wage survey is usually undertaken to collect wage rates of certain key jobs in the organisation. Let's explain this:

Table 36: Conversion of Job Grade Points into Money Value

Point range	Daily Wage rate (Rs)	Job grades of key bank officials
500-600	300-400	1 Officer
600-700	400-500	2 Accountant
700-800	500-600	3 Manager I Scale
800-900	600-700	4 Manager II Scale
900-1000	700-800	5 Manager III Scale

Merits and Demerits

The point method is a superior and widely used method of evaluating jobs. It forces raters to look into all key factors and sub-factors of a job. Point values are assigned to all factors in a systematic way, eliminating bias at every stage. It is reliable because raters using similar criteria would get more or less similar answers. The methodology underlying the approach contributes to a minimum of rating error (Robbins p.361). It accounts for differences in wage rates for various jobs on the strength of job factors. Jobs may change over time, but the rating scales established under the point method remain unaffected.

On the negative side, the point method is complex. Preparing a manual for various jobs, fixing values for key and sub-factors, establishing wage rates for different grades, etc., is a time consuming process. According to Decenzo and Robbins, "the key criteria must be carefully and clearly identified, degrees of factors have to be agreed upon in terms that mean the same to all rates, the weight of each criterion has to be established and point values must be assigned to degrees". This may be too taxing, especially while evaluating managerial jobs where the nature of work (varied, complex, novel) is such that it cannot be expressed in quantifiable numbers.

A comparative picture of various job evaluation methods is presented on Table 37.

Table 37: Major Job Evaluation Methods

Method	What facet of job is evaluated?	How is job evaluated?	Type of method	Major advantages(s)	Major disadvantage(s)
Ranking	Whole job (compensable factors are implicit)	Jobs are subjectively ordered according to relative worth	Non-quantitative	Relatively quick and inexpensive	Entirely subjective
Classification	Whole job	Compare job to descriptions of job grades	Non-quantitative	Readily available and inexpensive	Cumbersome system

Contd...

Factor comparison	Compensable factors of job	Compare job to key jobs on scales of compensable factors	Quantitative	Easy to use	Hard to construct, - inaccurate over time
Point method	Compensable factors of job	Compare job to standardised descriptions of degrees of universal compensable factors and subfactors	Quantitative	Accurate and stable overtime	May be costly

Limitations of Job Evaluation

1. Job evaluation is not exactly scientific.
2. '*The modus operandi*' of most of the techniques is difficult to understand, even for the supervisors.
3. The factors taken by the programme are not exhaustive.
4. There may be wide fluctuations in compensable factors in view of changes in technology, values and aspirations of employers, etc.
5. Employees, trade union leaders, management and the programme operators may assign different weightage to different factors, thus creating grounds for dispute.

Compensation Administration

Introduction

Compensation is what employees receive in exchange for their contribution to the organisation. Generally, employees offer their services for three types of rewards. Pay refers to the base wages and salaries employees normally receive. Compensation forms such as bonuses, commissions and profit-sharing plans are incentives designed to encourage employees to produce results beyond normal expectation. Benefits such as insurance, medical, recreational, retirement, etc., represent a more indirect type of compensation. So, the term 'compensation' is a comprehensive one including pay, incentives, and benefits offered by employers for hiring the services of employees. In addition to these, managers have to observe legal formalities that offer physical as well as financial security to employees. All these issues play an important role in any HR department's efforts to obtain, maintain and retain an effective workforce.

Nature of Compensation

Compensation offered by an organisation can come both directly through base pay and variable pay and indirectly through benefits.

- **Base pay:** It is the basic compensation an employee gets, usually as a wage or salary
- **Variable pay:** It is the compensation that is linked directly to performance accomplishments (bonuses, incentives, stock options)
- **Benefits:** These are indirect rewards given to an employee or group of employees as a part of organisational membership (health insurance, vacation pay, retirement pension, etc.)

Objectives of Compensation Planning

The most important objective of any pay system is fairness or equity. The term 'equity' has three dimensions.

- a. **Internal equity:** This ensures that more difficult jobs are paid more.
- b. **External equity:** This ensures that jobs are fairly compensated in comparison to similar jobs in the labour market.
- c. **Individual equity:** It ensures equal pay for equal work, i.e., each individual's pay is fair in comparison to others doing the same/similar jobs.

In addition, there are other objectives also. The ultimate goal of compensation administration (the process of managing a company's compensation programme) is to reward desired behaviours and encourage people to do well in their jobs. Some of the important objectives that are sought to be achieved through effective compensation management are listed below:

- a. **Attract talent:** Compensation needs to be high enough to attract talented people. Since many firms compete to hire the services of competent people, the salaries offered must be high enough to motivate them to apply.
- b. **Retain talent:** If compensation levels fall below the expectations of employees or are not competitive, employees may quit in frustration.
- c. **Ensure equity:** Pay should equal the worth of a job. Similar jobs should get similar pay. Likewise, more qualified people should get better wages.
- d. **New and desired behaviour:** Pay should reward loyalty, commitment, experience, risks taking, initiative and other desired behaviours. Where the company fails to reward such behaviours, employees may go in search of greener pastures outside.
- e. **Control costs:** The cost of hiring people should not be too high. Effective compensation management ensures that workers are neither overpaid nor underpaid.
- f. **Comply with legal rules:** Compensation programmes must invariably satisfy governmental rules regarding minimum wages, bonus, allowances, benefits, etc.
- g. **Ease of operation:** The compensation management system should be easy to understand and operate. Then only will it promote understanding regarding pay-related matters between employees, unions and managers.

Equity and Pay Rates

The need for equity is the most important factor in determining pay rates. This is achieved through the following steps:

- Find the worth of each job through job evaluation.
- Conduct a salary survey to find what other employers are paying for comparable jobs.
- Group similar jobs into Pay grades.
- Price each pay grade by using wage curves.
- Fine tune pay rates.

Job Evaluation

Job analysis offers valuable information for developing a compensation system in terms of what duties and responsibilities need to be undertaken. The worth of a job to the organisation is as ascertained through job evaluation. Since the whole process is largely subjective, a committee is appointed to collect information and come up with a hierarchy of jobs according to their value. The evaluation is done through the use of market pricing or through the use of ranking, point or factor comparison methods.

Wage and Salary Surveys

While job evaluation ensures internal equity, wage and salary surveys ensure external equity. A wage and salary survey provides information as to what other organisations that compete for employees are paying. The survey could cover all the jobs within an organisation (obviously costly and hence avoided) or limited to benchmark jobs, jobs that are used to anchor the company's pay scale and around which other jobs are slotted based on their relative worth to the firm. The benchmark jobs have the following basic characteristics:

- Many workers in other companies have these jobs.
- They will not be changing in the immediate future in terms of tasks, responsibilities, etc.
- They represent the full range in terms of salary such that some are among the lowest paid in the group of jobs, others are in the middle range and some are at the high end of the pay scale.

Formal and informal surveys (through telephone, for example) could be undertaken to collect data on benefits like insurance, medical leave, vacation pay, etc., and so offer a basis on which to take decisions regarding employee benefits. Published sources also provide valuable information regarding industry-wise trends in salary structures in and around the country. The published sources in India include:

- Reports published by the Ministry of Labour.
- Pay commission reports.
- Reports of Wage Boards appointed by Government.
- Reports of employees and employers' organisations.
- Trade journals of specific industry groups, etc.

One of the major problems with these sources is the comparability of jobs in the survey to jobs in the organisation. To overcome the limitations of published surveys, conduct your own surveys of important jobs. The following survey methods are generally used to collect relevant wage-related information:

- **Key job matching:** Under this method, similar key jobs are identified between the organisations and the relevant wage particulars about those comparable jobs are collected.
- **Key class matching:** Similar classes of jobs are identified and the necessary data about those classes are collected.
- **Occupational method:** Certain basic occupational groups like clerks, officers managers are identified and then the necessary data is collected.
- **Job evaluation method:** All the parties participating in the survey method, use the same method and same mechanism for evaluating similar jobs.

- **Broad classification method:** Under this method, broad groups of relatively homogeneous jobs, i.e., by industry, by profession or by geographical area are grouped and the relevant information about these jobs is collected.

Group Similar Jobs into Pay grades

In this step, similar jobs (in terms of their ranking or number points as ascertained by the job evaluation committee) are grouped into grades for pay purposes. The organisation can now focus on, say 10 to 12 pay grades, instead of hundreds of pay rates. A pay grade consists of jobs of approximately equal difficulty or importance as determined by job evaluation. If the point method is used, the pay grade consists of jobs falling within a range of points. Ten to sixteen grades per job cluster (factory jobs, clerical jobs) is common.

Price each Pay Grade – Wage Curves

In the next step, pay rates are assigned to pay grades through a wage curve. The wage curve shows graphically the pay rates currently paid for jobs in each pay grade relative to the points or rankings given to each job or grade, as depicted in Figure 14 below:

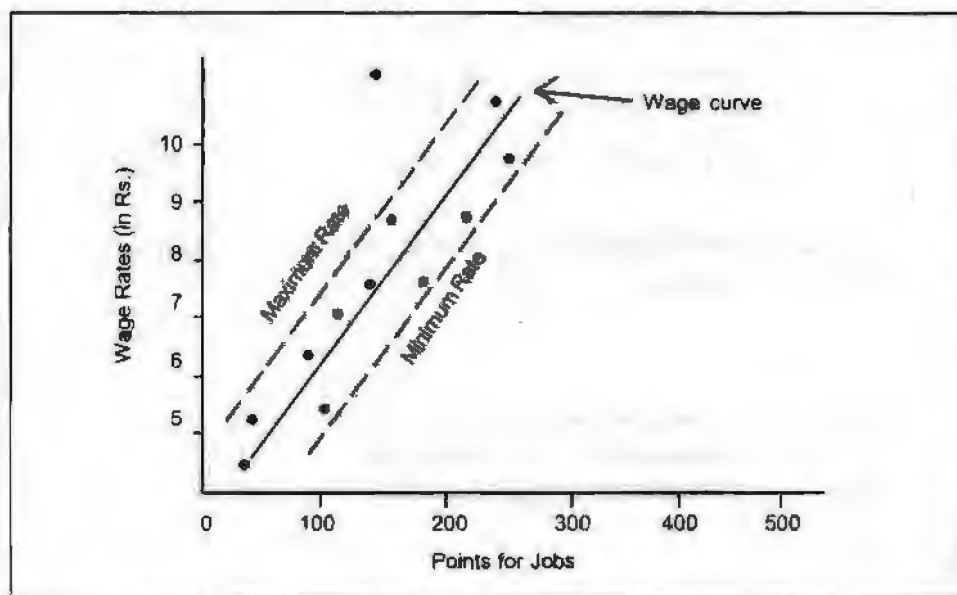


Figure 14: Plotting a Wage Curve

(The average pay rate for jobs in each grade [Grade I = 0-50 points, Grade II = 50-100 points, Grade III = 100-150 points] are plotted and the wage curve fitted in.)

A completed wage curve tells management the average relationship between the pay grade points and wage rates. It will show which pay is out of the trend line. If a job's pay rate is very high – where the current rates paid by the company fall well above or below the wage line – those wage rates are identified as 'red circle' rates. This only means that pay is frozen or below average increases are granted until the structure is adjusted upward to place the circled rate within a normal range.

Fine Tune Pay Rates and Determine Wage Structure

Here the employees fix a pay range for each grade (Officer Grade I, II and III, for example, in Banking industry). The wage structure of a company is nothing but a pay scale showing ranges of pay within each grade.

Components of Pay Structure in India

The pay structure of a company depends on several factors such as labour market conditions, company's paying capacity and legal provisions:

Wages

In India, different Acts include different items under wages, though all the Acts include basic wage and dearness allowance under the term 'wages'. Under the Workmen's Compensation Act, 1923, "wages for leave period, holiday pay, overtime pay, bonus, attendance bonus, and good conduct bonus" form part of wages.

Under The Payment of Wages Act, 1936, Section 2 (vi), "any award of settlement and production bonus, if paid, constitutes wages."

Under the Payment of Wages Act, 1948, "retrenchment compensation, payment in lieu of notice and gratuity payable on discharge constitute wages."

However, the following types of remuneration, if paid, do not amount to wages under any of the Acts:

- i. Bonus or other payments under a profit-sharing scheme which do not form a part of contract of employment.
- ii. Value of any house accommodation, supply of light, water, medical attendance, travelling allowance, or payment in lieu thereof or any other concession.
- iii. Any sum paid to defray special expenses entailed by the nature of the employment of a workman.
- iv. Any contribution to pension, provident fund, or a scheme of social security and social insurance benefits.
- v. Any other amenity or service excluded from the computation of wages by general or special order of an appropriate governmental authority.

The term 'Allowances' includes amounts paid in addition to wages over a period of time including holiday pay, overtime pay, bonus, social security benefit, etc. The wage structure in India may be examined broadly under the following heads:

Basic Wage

The basic wage in India corresponds with what has been recommended by the Fair Wages Committee (1948) and the 15th Indian Labour Conference (1957). The various awards by wage tribunals, wage boards, pay commission reports and job evaluations also serve as guiding principles in determining 'basic wage'. While deciding the basic wage, the following criteria may be considered: (i) Skill needs of the job; (ii) Experience needed; (iii) Difficulty of work: mental as well as physical; (iv) Training needed; (v) Responsibilities involved; (vi) Hazardous nature of job.

Dearness Allowance (DA)

It is the allowance paid to employees in order to enable them to face the increasing dearness of essential commodities. It serves as a cushion, a sort of insurance against increase in price levels of commodities. Instead of increasing wages every time there is a rise in price levels, DA is paid to neutralise the effects of inflation; when prices go down, DA can always be reduced. This has, however, remained a hypothetical situation as prices never come down to necessitate a cut in dearness allowance payable to employees.

DA is linked in India to three factors: the index factor, the time factor and the point factor.

- **All India consumer price index (AICPI):** The Labour Bureau, Shimla, computes the AICPI (Base 1960 = 100 points) from time to time.
- **Time factor:** In this case DA is linked to the rise in the All India Consumer Price Index (AICPI) in a related period, instead of linking it to fortnightly or monthly fluctuations in index.
- **Point factor:** Here DA rises in line with a rise in the number of index points above a specific level.
- **Other allowances:** The list of allowances granted by employers in India has been expanding, thanks to the increasing competition in the job market and the growing awareness on the part of employees. An illustrative list of allowances is furnished in Table 38 below:

Table 38: List of Allowances in the Organised Sector in India

● Attendance	● Night shift	● Tiffin
● Books	● Overtime	● Transport
● Car	● Paternity	● Telephone
● Card (Credit card)	● Pension	● Uniform
● City Compensatory	● Provident Fund	
● Club Membership	● Relocation	
● Computer	● Servant	
● Deputation		
● Driver		
● Education		
● ESIS		
● Family		
● Group Insurance		
● Leave Travel		
● Lunch		
● Medical		

Wage and Salary Administration

Employee compensation may be classified into two types – base compensation and supplementary compensation. Base compensation refers to monetary payments to employees in the form of wages and salaries. The term 'wages' implies remuneration to workers doing manual work. The term 'salaries' is usually defined to mean compensation to office, managerial, technical and professional staff. The distinction, however, is rarely observed in actual practice. Base compensation, it should be noted here, is a fixed and non-incentive payment on the basis of time spent by an employee on the job. Supplementary compensation signifies incentive payments based on actual performance of an employee or a group of employees. The term 'compensation administration' or wage and salary administration denotes the process of managing a company's compensation programme. The goals of compensation administration are to design a cost-effective pay structure that will attract, motivate and retain competent employees'.

Objectives

A sound plan of compensation administration seeks to achieve the following objectives:

- To establish a fair and equitable remuneration offering similar pay for similar work.
- To attract qualified and competent personnel.
- To retain the present employees by keeping wage levels in tune with competing units.
- To control labour and administrative costs in line with the ability of the organisation to pay.
- To improve motivation and morale of employees and to improve union-management relations.
- To project a good image of the company and to comply with legal needs relating to wages and salaries.

Principles of Wage and Salary Administration

There are several principles of wage and salary plans and practices. The important ones among them are:

1. Wage and salary plans should be sufficiently flexible.
2. Job evaluation must be done scientifically.
3. Wage and salary administration plans must always be consistent with overall organisational plans and programmes.
4. Wage and salary administration plans and programmes should be in conformity with the social and economic objectives of the country like attainment of equality in income distribution and controlling inflationary trends.
5. Wage and salary administration plans and programmes should be responsive to the changing local and national conditions.
6. These plans should simplify and expedite other administrative processes.

The Elements of Wage and Salary System

Wage and salary systems should have a relationship with the performance, satisfaction and attainment of goals of an individual. Henderson identified the following elements of a wage and salary system:

1. Identifying the available salary opportunities, their costs, estimating the worth of its members, of their salary opportunities and communicating them to employees.
2. Relating salary to needs and goals.
3. Developing quality, quantity and time standards related to work and goals.
4. Determining the effort necessary to achieve standards.
5. Measuring the actual performance.
6. Comparing the performance with the salary received.
7. Measuring the job satisfaction of the employees.
8. Evaluating the unsatisfied wants and unrealised goals aspirations of the employees.

9. Finding out the dissatisfaction arising from unfulfilled needs and unattained goals.
10. Adjusting the salary levels accordingly with a view to enabling the employees to reach unreach goals and fulfil the unfulfilled needs and aspirations.

Factors Influencing Compensation Levels

The amount of compensation received by an employee should reflect the effort put in by the employee, the degree of difficulty experienced while expending his energies, the competitive rates offered by others in the industry and the demand-supply position within the country, etc. These are discussed below.

- a. **Job needs:** Jobs vary greatly in their difficulty, complexity and challenge. Some need high levels of skills and knowledge while others can be handled by almost anyone. Simple, routine tasks that can be done by many people with minimal skills receive relatively low pay. On the other hand, complex, challenging tasks that can be done by few people with high skill levels generally receive high pay.
- b. **Ability to pay:** Projects determine the paying capacity of a firm. High profit levels enable companies to pay higher wages. This partly explains why computer software industry pays better salaries than commodity-based industries (steel, cement, aluminium, etc.). Likewise, multinational companies also pay relatively high salaries due to their earning power.
- c. **Cost of living:** Inflation reduces the purchasing power of employees. To overcome this, unions and workers prefer to link wages to the cost of living index. When the index rises due to rising prices, wages follow suit.
- d. **Prevailing wage rates:** Prevailing wage rates in competing firms within an industry are taken into account while fixing wages. A company that does not pay comparable wages may find it difficult to attract and retain talent.
- e. **Unions:** Highly unionised sectors generally have higher wages because well-organised unions can exert pressure on management and obtain all sorts of benefits and concessions to workers.
- f. **Productivity:** This is the current trend in most private sector companies when workers' wages are linked to their productivity levels. If your job performance is good, you get good wages. A sick bank, for example, can't hope to pay competitive wages, in tune with profit-making banks.
- g. **State regulation:** The legal stipulations in respect of minimum wages, bonus, dearness allowance, allowances, etc., determine the wage structure in an industry.
- h. **Demand and supply of labour:** The demand for and the supply of certain skills determine prevailing wage rates. High demand for software professionals, R&D professionals in drug industry, telecom and electronics engineers, financial analysts, management consultants ensures higher wages. Oversupply kills demand for a certain category of employees leading to a steep fall in their wages as well.

Most employers, nowadays, are interested in paying a fair wage to all workers which is neither very high (affecting the company's profitability) nor very low (where attracting and retaining people becomes difficult).

Exhibit 1: Average Annual Earnings of Workers Employed in Manufacturing Industries

Particulars	1998	1999	2000
1. Number of employees ('000)	432	239	253
2. Total wage bill (Rs. in lacs)	62892	44437	50521
3. Average annual earnings (Rs)	14533	18582	23910

Source: Pocket Book of Labour Statistics, 2004.

Wage Policy

A wage bill is an important part of the production cost. For any reason whatsoever, if the wage bill increases beyond the paying capacity of an employer, the very survival of the firm becomes difficult. A few such instances are recounted in Box 40:

BOX 40: HORROR STORIES IN INDIA**1. Bharat Ophthalmic Glasses – Where Employees' Benefits Exceed Turnover!**

During the period 1984-85 to 1990-91, the gross benefits per annum to 521 employees of Bharat Ophthalmic Glass (BOG) exceeded the turnover of the company – every year! The employees have successfully brought down capacity utilisation to just 27% of the achievable capacity. When the Government released Rs 76 lac to buy plant and machinery, BOG generously diverted 50% of the money to pay salaries and wages.

2. National Textile Corporation

NTC has 120 mills and 1.7 lac workers. The accumulated losses are over 3000 crores, the yearly increase in losses being over Rs 400 crore. 40 mills are totally useless, 40 likely to become useless very soon and the balance 40 are terminally sick. During the last 20 years, the government spent nearly Rs 2000 crore on protecting jobs!

3. Hindustan Fertilizer Corporation Ltd, Haldia

The plant was shut down in August, 1986, but the 1500 strong employees continue to receive all their salaries and wages totalling to Rs 150-175 lac per month. The company seems to run on the principle 'No work but Full Pay'. Even additional installments of DA are payable to them. The accumulated losses up to 1992 were over Rs 1400 crore.

4. Heavy Engineering Corporation

It is a company producing nothing. It has been established just to employ labour (over 17000 employees with annual losses running to over Rs 100 crore) established in collaboration with Soviet Union and Czechoslovakia (both these countries of course managed to vanish from the world map by 1992 itself!)

Source: N J Yasaswy, PSU Stocks, Vision Books, New Delhi 1992.

From the employee's point of view 'wages' determines his standard of living. Wage policy, therefore, is an important issue and recognising its importance the Constitution of India guaranteed 'equal pay for equal work' for both men and women (Article 39) and reiterated that the State must endeavour to secure for all workers a living wage and conditions of work which ensure a decent standard of life (Article 43). After Independence, the Government realised that the wages of workers can't be left to the fluctuations (in demand and supply of) in labour market conditions. It has decided to fix statutory minimum wages.

Wage Policy in India**Minimum Wage, Fair Wage and Living Wage**

Minimum wage: Minimum wage is that wage which must invariably be paid whether the company, big or small, makes profits or not. It is the bare minimum that a worker

can expect to get for services rendered by him. The 15th Indian Labour Conference (1957) formally quantified the term 'minimum wage' thus:

- In calculating the minimum wage, the standard working class family should be taken to comprise three consumption units for one earner, the earnings of women, children and adolescents being disregarded;
- Minimum food requirements should be calculated on the basis of a set intake of calories as recommended by Dr Aykroyd for an average Indian adult of moderate activity;
- Clothing requirements should be estimated on the basis of per capita consumption of 18 yards per annum which would give for the average worker's family of four a total of 72 yards;
- In respect of housing, the rent corresponding to the minimum area provided for under Government Industrial Housing Scheme should be taken into consideration in fixing the minimum wage;
- Fuel, lighting and other miscellaneous items of expenditure should constitute 20 per cent of the total minimum wage.

Exhibit 2: Range of Minimum Wage per day for the Lowest Daily Paid Unskilled Worker by States

State	Range of Minimum Minimum	Wages per day (in Rs) Maximum
Andhra Pradesh	45.00	101.00
Bihar	41.00	61.98
Delhi	97.05	99.70
Gujarat	50.00	105.00
Jammu & Kashmir	30.00	30.00
Kerala	30.00	264.16
Maharashtra	8.46	125.53
Tamilnadu	24.48	118.00
U.P.	56.85	84.04
West Bengal	39.73	108.69

Source: Pocket Book of Labour Statistic, 2004.

Fair wage: It is that wage which is above the minimum wage but below the living wage. According to the Committee on Fair Wages, 1948, fair wage should be determined taking the following factors into account:

- the productivity of labour;
- the prevailing rates of wages in the same or similar occupations in the same region or neighbouring regions;
- the level of national income and its distribution;
- the place of industry in the economy of the country; and
- the employer's capacity to pay.

Living wage: According to the Committee on Fair Wages, the living wage is the highest among the three. It must provide (i) basic amenities of life, (ii) efficiency of worker and (iii) satisfy social needs of workers such as medical, education, retirement, etc. 'Living Wage' is a dynamic concept, which grows in line with the growth of the national economy.

State Regulation of Wages

The Government has adopted various methods to regulate wages in India such as prescribing minimum rates of wages, regulating payment of wages, settlement of wage related disputes through adjudication process, setting up of wage boards, etc.

Table 39: Institutions Involved in Fixation of Wages

• Employer	
• Collective Bargaining	
• Legislators	• Minimum Wages Act • Payment of Wages Act • Adjudication Machinery
• Wage Boards	
• Pay Commissions	

Minimum Wages Act, 1948

The Act prescribes minimum rates of wages for certain sweated and unorganised sectors covered under the Act. The minimum wages can be fixed by hour, day, month or any other longer period. The Act provides for setting up a tripartite body consisting of employees, unions and the government, to advise and assist in fixing and revising minimum wage rates. The rates could be subjected to revision at intervals not exceeding 5 years. The Act has not been able to prevent exploitation of labour due to a variety of reasons:

- The Vidyasagar Committee, 1965, pointed out that the desired objective of the Act could not be realised due to inadequate and improper organisation of the administrative machinery.
- Minimum wages have not been revised as stipulated in the Act. They are revised after much longer intervals.
- The Act did not define minimum wages nor specified any norms for its determination.

The Supreme Court has held (in 1992) that the appropriate authorities should take into consideration the components such as children's education allowance, medical needs, minimum recreation, provision for marriage, old age etc., while calculating minimum wages.

The Payment of Wages Act, 1936

The main objective of the Act is to provide for regular payment of wages without any unauthorised reductions to persons who are employed in any industrial establishment or factory or railway or by a railway contractor whose monthly wages are less than Rs 1600. The Act prescribes the following permissible deductions to be made from the employee's salary: fines, deductions for absence, deductions for (i) loss of goods entrusted to worker, (ii) house given by employer, (iii) services provided by employer, (iv) advances given to worker, (v) tax payable by employer, (vi) deductions under court orders, cooperative society, PF, insurance premium, etc.

Adjudication of Wage Disputes

Collective bargaining is a procedure through which employee problems relating to various issues including wages are settled through the process of joint consultation, in an atmosphere of 'give and take', trust and mutual confidence. If these problems are not settled through collective bargaining, they may be settled through voluntary arbitration or adjudication. The awards given or reached by or through the arbitrator

or adjudicator or collective bargaining agreements form the basis for fixing wages in various organisations.

Wage Boards

This is one of the important institutions set up by the Government of India for fixation and revision of wages. Separate wage boards are set up for separate industries. Government of India started instituting Wage boards in accordance with the recommendations of Second Five-year Plan, which were reiterated by the Third Five-year Plan. Wage boards are not governed by any legislation but are appointed on an adhoc basis by the Government.

Each Wage Board consists of one neutral Chairman, two independent members and two or three representatives of workers and management each. The Wage boards have to study various factors before making any recommendations. The recommendations of Wage Board are first referred to the Government for acceptance. The Government may accept with or without modification or reject the recommendations of the Wage Board. The recommendations accepted by the Government are enforceable by the parties concerned.

The Wage boards take the following factors into consideration for fixing or revising the wages in various industries:

(i) Job evaluation, (ii) Wage rates, for similar jobs in comparable industries, (iii) Employees' productivity, (iv) Firms' ability to pay, (v) Various wage legislations, (vi) Existing level of wage differentials and their desirability, (vii) Government's objectives regarding social justice, social equality, economic justice and economic equality, (viii) Place of the industry in the economy and the society of the country and the region, (ix) Need for incentives, improvement in productivity, etc.

The Wage Boards fix and revise various components of wages like basic pay, dearness allowance, incentive earnings, overtime pay, house rent allowance and all other allowances.

Pay Commissions

Wages and allowances of Central and State government employees are determined through the pay commissions appointed by the appropriate government. So far the Central Government has appointed five pay commissions. The disputes, arising out of pay commission awards and their implementation are decided by commissions of inquiry, adjudication machinery and the joint consultative machinery.

Bonus

An important component of employees' earnings, besides salary, is bonus. Starting as an adhoc and ex-gratia payment, bonus was claimed as dearness allowance during World War II. In the course of labour history, it has metamorphosed from a reward or an incentive for good work, into a defensible right and a just claim. Subsequently, under The Payment of Bonus Act, 1965, it secured the character of a legal right. The dictionary meaning of 'bonus' is an extra payment to the workers beyond the normal wage. It is argued that bonus is a deferred wage payment which aims at bridging the gap between the actual wage and the need based wage. It is also said that bonus is a share of the workers in the prosperity of an organisation. The third argument is that bonus is primarily a share in the surplus. But it is only incidentally treated as a source of bridging the gap between the actual wage and the need-based wage.

The Payment of Bonus Act, 1965

The Act defines an employee who is covered by it as one earning Rs 2,500 p.m. (w.e.f. 1.4.93) basic plus dearness allowance and specifies the formula for calculating the allocable surplus from which bonus is to be distributed. The minimum bonus to be paid has been raised from 4 per cent to 8.33 per cent (w.e.f. 25.9.75) and is sought to be linked to increased productivity in recent times. Through collective bargaining, the workers, through their representative union, can negotiate for more than what the Act provides and get the same ratified by the government, if necessary. In the absence of such a process, the Act makes it mandatory to pay bonus to employees (who have worked in the unit for not less than 30 working days in a year) following a prescribed formula for calculating the available surplus. The available surplus is normally the gross profits for that year after deducting depreciation, development rebate/investment allowance/development allowance, direct tax and other sums referred to in Sec. 6. The Act applies to every factory or establishment in which 20 or more persons are employed in an accounting year. Currently the position is such that even if there is a loss, a minimum bonus needs to be paid treating the same as deficit to be carried forward and set off against profits in subsequent years (Sec. 15). The Act is proposed to be changed since the amount of bonus, the formula for calculating surplus, and the set off provisions have all been under serious attack from various quarters.

Table 40: Bonus Calculations in India

Wage Differentials

Differentials in wages for jobs are inevitable in any industry. The reasons are not far to seek:

Table 41: Reasons for Wage differentials

Wage differentials	Reasons
Interpersonal differentials	Differentials in sex, skills, age, knowledge, experience
Inter-occupational differentials	Varying requirements of skill, knowledge, demand-supply situation
Inter-area differentials	Cost of living, ability of employers to pay, demand and supply situation, extent of unionisation
Inter-firm differentials	Ability of employer to pay, employees' bargaining power, degree of unionisation, skill needs, etc.

Wage differentials perform important economic functions like labour productivity, attracting the people to different jobs. Since most of the workers are mobile with a view to maximising their earnings, wage differentials reflect the variations in productivity, efficiency of management, maximum utilisation of human force, etc. Attracting efficient workers, maximisation of employee commitment, development of skills, knowledge,

utilisation of human resources, maximisation of productivity can be fulfilled through wage differentials as the latter determines the direct allocation of manpower among different units, occupations and regions so that the overall production can be maximised. Thus, wage differentials provide an incentive for better allocation of human force – labour mobility among different regions and the like.

Wage differentials play a pivotal role in a planned economy in the regulation of wages and development of national wage policy by allocating the skilled human force on priority basis. Development of new skills, knowledge, etc., is an essential part of human resource development. Shortage of technical and skilled personnel is not only a problem for industries but it creates bottlenecks in the attainment of planned goals. Thus, wage differentials, to a certain extent, are desirable from the viewpoint of national interest. As such, they probably become an essential part of national wage policy. Complete uniform national wage policy is impracticable and undesirable.

Are Wage Differentials Justified?

Wage differentials on the basis of occupations, units and areas (when real wages are taken into account) can be justified on the basis of equal pay for equal work among workers. They are also justified in view of varying conditions of demand and supply and varied job requirements like skill, knowledge, aptitude, ability, experience, etc. But the object of the Government is to minimise income inequalities and inequalities in the distribution of wealth. Thus, wage differentials are not desirable in a socialistic pattern of society. However, formulating a uniform wage policy ignoring differences in individual skills, knowledge, etc., are constrained by limitations in a unit's ability to pay varying living costs in different regions, varying demand and supply conditions, differences in occupations, etc., rendering uniformity impracticable. Hence, a compromise between uniform wage policy and wage differentials has to be developed keeping in view the principles of a socialistic pattern of society.

Interpersonal, inter-unit, inter-occupational wage differentials are more predominant in unorganised sector of Indian economy. But even in organised sector and public sector units, wage differentials are quite common. However, the tendency appears to be towards minimisation and regularisation of wage differentials and to narrow down the gap between maximum and minimum wage in a unit. Wage differentials on the basis of sex are however common, mainly in unorganised sector of the economy. It is observed that certain industrial tribunals had awarded different wages for male and female workers not on the ground that the work done is unequal but on the grounds that the wages of female employees have always been somewhat lower than those of male workers, that women workers support a smaller family and that the cost of employing women workers is higher. However, it is felt that further steps should be taken in order to minimise wage differentials not only in unorganised sector but also in organised and public sector undertakings.

Choices in Designing a Compensation System

The compensation system that is followed by a firm should be in tune with its own unique character and culture and allow the firm to achieve its strategic objectives. A wide variety of options confront a firm while designing such a system.

1. **Internal and external pay:** Pay equity, as stated previously, is achieved when the compensation received is equal to the value of the work done. Compensation policies are internally equitable when employees believe that the wage rates for their jobs approximate the job's worth to the organisation. Perceptions of external

equity exist when the firm pays wages that are relatively equal to what other firms are paying for similar types of work.

2. **Fixed vs. variable pay:** Now-a-days variable pay programmes are widely followed throughout many organisations and for all levels of employees. Widespread use of various incentive plans, team bonuses, profit-sharing programmes have been implemented with a view to link growth in compensation to results. Of course, while using variable pay systems, management must look into two issues carefully:
 - Should performance be measured and rewarded based on individual, group or organisational performance?
 - Should the length of time for measuring performance be short-term or long-term?
3. **Performance vs. membership:** Knowledge-based organisations these days follow a performance-based payment plan offering awards to employees for cost saving suggestions, bonuses for perfect attendance or merit pay based on supervisory appraisals. 3 M's encouragement of innovation through this route, for example, has paid off in what has become a legend in the field of product development (one of its chemists developed the immensely popular product 'Post-it' when 3M gave time for the employee and announced a handsome bonus for the final result. Most organisations, however, still pay their employees based on the number of hours of work per week coupled with certain benefits for serving the company loyally for a particular period.

BOX 41: GUIDELINES FOR EFFECTIVE PERFORMANCE-BASED PAY SYSTEMS

To be fair to employees, organisations should keep the following guidelines in mind while instituting merit-pay systems

- *Establish high standards of performance*, so that only the truly outstanding employees emerge as winners.
- *Develop accurate performance appraisal systems*. The focus must be on job-specific, results-oriented criteria as well as employee behaviours.
- *Train supervisors* in the mechanics of carrying out appraisals and offering feedback to employees in a proper way.
- *Tie rewards closely to performance*.
- *Use a wide range of increases*. Also, make pay increases meaningful.

4. **Job vs. individual pay:** Most traditional organisations – even today – decide the minimum and maximum values of each job independently of individual workers (who are placed in between these two extremes), ignoring their abilities, potential and the ability to take up multiple jobs. Such job-based pay systems may, in the end, compel capable workers to leave the company in frustration. To avoid such unfortunate situations, knowledge-based pay systems (or skill-based ones) have been followed increasingly in modern organisations. In this case, employees are paid on the basis of the jobs they can handle or the talents they have that can be successfully exploited in various jobs and situations.

BOX 42: SUITABILITY OF JOB-BASED AND KNOWLEDGE-BASED PAY SYSTEMS

A job based-pay system is suitable when:	Individual-based pay system is suitable when:
<ul style="list-style-type: none"> • Jobs do not change often • Technology is stable • Lot of training is required to learn a given job • Turnover is relatively low • Employees are expected to move up through the ranks over time • Jobs are fairly standardised within the industry 	<ul style="list-style-type: none"> • The firm has relatively educated employees with both the ability and willingness to learn different jobs • The firm's technology, processes are subject to frequent change • Vertical growth opportunities are limited • Opportunities to learn new skills exist • Teamwork and employee participation are encouraged

Organisations will grant an increase in pay after the employee masters various skills and demonstrates these according to a pre-determined standard. One of the important limitations of this method is that employees can become discouraged when they acquire new skills but find very few rewarding growth opportunities or high-rated jobs where they can use their talents successfully.

BOX 43: BROAD BANDING VS COMPETENCY BASED PAY SYSTEM

Organisations that follow a skill-based or Competency-Based Pay System frequently use *broad banding* to structure their compensation payments to employees. Broad banding simply compresses many traditional salary grades (say 15 to 20 grades) into a few wide salary bands (three or four grades). By having relatively few job grades, this approach tries to play down the value of promotions. Depending on changing market conditions and organisational needs, employees move from one position to another without raising objectionable questions, (such as when the new grade is available, what pay adjustments are made when duties change etc.) As a result movement of employees between departments, divisions and locations becomes smooth. Employees with greater flexibility and broader set of capabilities can always go in search of jobs in other departments or locations that allow them to use their potential fully. Broad banding, further, helps reduce the emphasis on hierarchy and status. However, broad banding can be a little unsettling to a new recruit when he is made to roll on various jobs. Most employees still believe that the existence of many grades helps them grab promotional opportunities over a period of time. Any organisation having fewer grades may be viewed negatively— as having fewer upward promotion opportunities. Moreover, a number of individuals may not want to move across the organisation into other areas.

5. **Below market vs. above market compensation:** In high tech firms R&D workers might be paid better than their counterparts in the manufacturing division. Blue chip firms such as HLL, Nestlé, Procter & Gamble, TCS, Hughes Software Systems might pay above market compensation to certain groups in order to attract (and retain) 'the cream of the crop'. To grow rapidly and to get ahead of others in the race, especially in knowledge-based industries, most companies prefer to pay above-market salaries. Above market wages are typical in well-established manufacturing units operating in a highly competitive environment. Firms paying below market tend to be small, young and non-unionised.
6. **Open vs. secret pay:** In the real world, the issue of paying compensation openly or in a secret way may often become a bone of contention between employees and the employer(s). Current research evidence indicates that pay openness is likely to be more successful in organisations with extensive employee involvement and an egalitarian culture that encourages trust and commitment. Open pay

eliminates doubts in the minds of employees regarding equity and fairness - because there is equal pay for equal work. But open pay has a downside. First, managers are forced to defend their compensation decisions publicly. The question of how much pay one should get is more or less decided by the manager - based on his own subjective assessment of various factors. In such decision, it is not easy to please everyone. Second, the cost of making a mistake in a pay decision increases when pay is open. Third, to avoid never-ending and time-wasting arguments with employees, managers may eliminate pay differences among subordinates despite differences in performance levels. This may, in the end, force talented people to leave the organisation. Pay secrecy involves withholding information from the recruits regarding how much others make, what raises others have received and even what Pay grades and ranges exist within an organisation. Pay secrecy gives managers some amount of freedom in compensation management, since pay decisions are not disclosed and there is no need to justify or defend them. Employees who do not know how much others are getting have no objective base for pursuing complaints about their own pay. Secrecy also serves to cover up inequities prevailing within the internal pay structure. Again, secrecy surrounding compensation decisions may lead employees to believe that there is no direct relationship between pay and performance. Pay secrecy, however, is a difficult policy to maintain because most of the pay-related information is now available on the Web. Anyone with access to the Internet can easily find out what a position is worth in the job market.

Managerial Compensation

Organisations decide executive compensation packages, consisting of basic pay, allowances, perquisites, stock options, etc., based on a number of factors. The United States Compensation institutes' Phoenix plan uses 28 compensable factors:

Table 42: Phoenix Plan – Compensable factors

<ul style="list-style-type: none"> ● Job-related experience ● Training time required ● Frequency of review of work ● Utilisation of independent choice ● Frequency of reference to guidelines 	<ul style="list-style-type: none"> ● Time spent in planning ● Contact with suppliers/customers ● Impact on departmental budget ● Directing of others. ● Training of staff/physical stress experienced
<ul style="list-style-type: none"> ● Frequency of work transferred through supervisor ● Analytical complexity ● Time spent in processing information ● Supervisors reporting to position level ● Travel outside work location ● Salary grade to which this position reports ● Salary grade of positions supervised ● Management responsibility ● Revenue size ● Asset size ● Employment size ● Budget size ● Payroll size 	<ul style="list-style-type: none"> ● Time spent working under deadlines ● Time spent in hazardous conditions

The Hay Group, another specialised US Agency, uses three compensable factors: accountability, problem-solving and know-how. Sibson and company determines base compensation depending on the market value of the job, its relationship to other positions in the organisation and the person's value to the organisation based on long-term performance and experience. The Compensation Survey Report of Business International Asia – Pacific Limited, Hong Kong considered the following factors to determine executive compensation: education, experience, scope of activities, need to

negotiate, type of problems handled, decision making authority, influence on results, size of the unit managed, number of people supervised, number of reporting steps to the head of unit.

Indian Practices

Executive compensation in India is basically built around three important factors: job complexity, employers' ability to pay and executive human capital. The complexity of a chief executive's job would depend on the size of the company as measured by its sales volume, earnings and assets' growth, the geographic dispersal of the unit, etc. The employer's ability to pay is also a major factor to be considered while deciding executive compensation. A sick bank, for instance, cannot afford to pay the same kind of salary to its executives as that of a healthy and growing bank. This partly explains why executive compensation in public sector undertakings is less when compared to private sector units.

BOX 44: EXECUTIVE COMPENSATION: PRIVATE SECTOR VS. PUBLIC SECTOR

In a well-publicised front page news sometime back The Economic Times mentioned about the miserable salary levels of top executives in public sector units in India. For example the State Bank of India chief is paid 10% of HDFC Bank Managing Director, BHEL's chief getting about Rs.10 to 12 lakhs per year as against ABB's MD getting nearly Rs.40 to 50 lakhs; Indian Oil Corporation's chief getting Rs.10 to 15 lakhs per annum as against Reliance Industries' Ambanis getting a package of over Rs.10 crore per annum. Salary levels in 'hot' private sector such as BPO, hospitality, biotechnology 'Media', IT, Telecommunications, Oil, Automobiles and Insurance are way above the packages offered to executives in public sector for various reasons such as: overstaffing, inefficient processes, pressure on margins due to competition, appointment of people without requisite skills at the top level, political interference especially in pricing the products or services, legal constraints etc.

The economic theory of human capital says that the compensation of a worker should be equal to his marginal productivity. The productivity of an executive, likewise depends on his qualifications, job knowledge, experience and contribution. Indian companies usually structured executive compensation along the following factors: salary, bonus, commission, PF, family pension, superannuation fund, medical reimbursement, leave travel assistance, house rent allowance and other perquisites. In recent years, instead of increasing the base compensation, companies have been enhancing the worth of an executive job through novel payment plans based on earnings/assets or sales growth of the company over a period of time, well-supported by an ever-expanding list of allowances and perquisites including stock options, educational, recreational, academic allowances and several other developmental initiatives aimed at improving the overall personality of an executive.

Protecting your Valuable Employees from the Eyes of the Competition (not playing the salary game?)

With the battle for talent escalating into a war, Indian companies are going all out to retain their prized employees. Two approaches have gained visibility and popularity in recent times. The first is internal and includes improving communication, changing work rules, increasing pay and even tightening phone security of a person. If the person in question is a high performer with a high risk of leaving, companies like Reckitt Benckiser, go on an overdrive with the milk and honey. Ego massaging services are initiated immediately. Eicher has a 'key man policy' in place to prevent 'stars' from leaving the company. The insurance policy, a juicy carrot for the top performers,

however, comes with a rider: if the person stays for an agreed period he earns a certain amount but if he leaves before that, the company gets a larger amount. Retention bonuses are also quite common. At Mahindra & Mahindra, 50 per cent of the employees' bonus comes in the form of a fixed deposit that can be encashed after a mutually agreed time period. (ii) The second method is external and focused on broking the raiding firm. Four years ago Pepsi even went to the extent of filing a case against Coke for poaching its employees. Non-poaching agreements, explicit or implicit, have also gained popularity. Some firms try to foil poaching by signing up several firms. Other companies such as Sasken Communication Technologies, Honey Well, Johnson & Johnson deal with the problem in a novel way: allowing employees complete freedom to think and act independently, opportunities to upgrade skills, offering jobs with stretch, pull and challenge etc.

Summary

- Job evaluation is the systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others within the organisation. Job evaluation helps to establish internal equity between various jobs.
- The four basic approaches to job evaluation are: the ranking method, the classification method, the factor comparison method, and the point method.
- The job ranking method arranges jobs in numerical order on the basis of the importance of the job's duties and responsibilities to the organisation.
- The job classification system slots jobs into preestablished grades. Higher-rated grades demand more responsibilities, tougher working conditions and varied job duties.
- The point system of job evaluation uses a point scheme based upon the compensable job factors of skill, effort, responsibility and working conditions. The more compensable factors a job possesses, the more points are assigned to it. Jobs with higher accumulated points are considered more valuable to the organisation.
- The factor comparison system evaluates jobs on a factor-by-factor basis against important jobs within an organisation.
- Compensation administration intends to develop the lowest-cost pay structure that will not only attract, inspire and motivate capable employees but also be perceived as fair by these employees.
- Establishing pay rates involves five steps: evaluate jobs, conduct salary survey, develop Pay grades, use wage curves, and fine tune pay rates.
- The pay structure of a company depends on several factors such as labour market conditions, company's paying capacity, legal provisions, prevailing wage rates, demand and supply of labour, degree of unionisation etc.
- The wage policy in India is built around certain cardinal principles: (i) equal pay for equal work (ii) living wage for all workers so that they lead a decent life (iii) payment of wages on appointed dates without unauthorised deductions (iv) Resolving wage related issues through collective bargaining (v) payment of statutory bonus at 8.33 per cent as per legal provisions (vi) ensuring a fair, equitable wage plan for various employees without significant wage differences etc.

- While designing a compensation system, every company needs to pay attention to: (i) internal as well as external equity (ii) fixed vs variable pay (iii) payments based on performance or membership (iv) Job-based pay or knowledge-based pay (v) payment as per market rates (vi) open vs secret pay etc.
- Executive compensation in India is built around three important factors: job complexity, employers' ability to pay and executive competency levels.

Terminology

- **Job evaluation:** A systematic way of assessing the relative worth of a job.
- **Performance appraisal:** A formal process in an organisation whereby each employee is evaluated to find how he is performing.
- **Job analysis:** The systematic collection, evaluation and organisation of information about jobs.
- **Ranking method:** A method of job evaluation which ranks employees from highest to lowest.
- **Classification method:** A method of job evaluation that concentrates on creating certain common job grades based on skills, knowledge and abilities.
- **Factor comparison method:** A method of job evaluation where job factors are compared to determine the worth of a job.
- **Point method:** A method of job evaluation where jobs are classified on identification criteria and the degree to which these criteria exist on the job.
- **Compensable factor:** A fundamental compensable element of a job, such as skills, effort, responsibility and working conditions.
- **Wage curve:** Shows the relationship between the value of the job and the average wage paid for this job.
- **Employee compensation:** All forms of pay or rewards accruing to employees and arising from their employment.
- **Benchmark job:** A job that is used to anchor the employer's pay scale and around which other jobs are arranged in order of relative worth.
- **Ergonomics:** Deals with designing jobs and equipment to fit the physical abilities of individuals.
- **Compensation:** It is what employees receive in exchange for their contribution to the organisation.
- **Wages:** The amount paid by the employer for the services of hourly, daily, weekly, fortnightly employees (ILO).
- **Incentives:** Motivational devices used such as bonuses or commissions to encourage special work effort.
- **Salaries:** Remuneration paid to the clerical and management personal employed on a monthly or yearly basis. However the distinction between wages and salaries need not be observed in actual usage. Both may mean remuneration paid to an employee for services rendered.
- **Earnings:** Total amount of remuneration received by an employee during a given period.

- **Wage rate:** It is the amount of remuneration for a unit of time, excluding incentives, overtime pay etc.
- **Wage structure:** Consists of various pay scales showing ranges of pay within each grade.
- **Wage policy:** Principles acting as guidelines for determining a wage structure.
- **Minimum wage:** Wage sufficient to sustain and preserve the efficiency of the worker and to provide him basic amenities.
- **Wage curve:** Curve in a scatter diagram representing the relationship between relative worth of jobs and wage rates.
- **Pay equity:** An employee's perception that compensation received is equal to the value of work performed.
- **Pay grades:** Groups of jobs within a particular class that are paid the same rate.
- **Compensation administration:** Deciding about how much an employee should be paid observing internal as well as external equity.
- **Salary survey:** A survey aimed at finding prevailing wage rates.
- **Compensable factors:** Common job characteristics that an organisation is willing to pay for such factors as skill, effort, job responsibility and working conditions.
- **Benchmark job:** A job that is used to anchor the employee's pay scale and around which other jobs are arranged in order of relative worth.
- **Comparable worth:** Equal pay for similar jobs, jobs similar in skills, responsibility work effort etc; the concept that male and female jobs that are dissimilar, but equal in terms of value or work to the employer, should be paid the same.
- **Competency-based pay system:** A pay system under which employees are paid on the basis of the number of jobs they are capable of doing, that is, on the basis of their skills or their depth of knowledge.
- **Broad banding:** competency-based pay system that compresses many traditional salary grades (usually 10 to 20) into a few wide salary bands (three to four).

References

1. ● F. Hills et al., "Compensation Decision-making", Fort Worth, TX, Dryden, 1994.
 - G. Milkovich and J. Newman, "Compensation", Chicago, Irwin, 1996.
 - E. Livernash, "Comparable Worth: Issues and Alternatives", Washington, Equal Employment Advisory Council, 1980.
2. R. Henderson, "Compensation Management in a Knowledge-based World", Englewood Cliffs, NJ., Prentice Hall, 1998.
3. N. Bereman, M. Lengnick Hall, "Compensation Decision-making", Fort Worth: TX: Derider, 1994.
4. ● M. Wallace, C. Fay, "Compensation Theory and Practice", Boston, PWS-Kent, 1988.
 - K. Bradley, "Job evaluation", BIM, Collingham Road, Northants, 1979.

- D. Treiman, "Job Evaluation: Analytic Review", National Academy of Sciences, US, 1980.
 - M.J. Walker, "Principles and Practices of Job Evaluation", Heinemann, Halley Court, Oxford, London, 1973.
5. ● R. Madigan, D. Hoover, "Effects of Alternative Job Evaluation Methods on Decisions Involving Pay equity", *Academy of Management Journal*, 1986.
- J. Collins, P. Muchinsky, "An Assessment of Construct Validity of three Job Evaluation Methods", *Academy of Management Journal*, 36, 1993.
 - D.W. Belcher, "Compensation Administration", Englewood Cliffs, N.J.; Prentice Hall, 1974.
6. ● R. Henderson, "Compensation Management in a Knowledge-based World", Upper Saddle River, N.J. Prentice Hall, 2000.
- T. Patten, "Pay: Employee Compensation and Incentive Plans", New York, Free Press, 1971.
 - J. Whitney, "Pay Concepts for the 1990s", Part I and II, *Compensation and Benefits Review*, March-April 1988 & May-June 1988.
 - G.T. Milkovich, J.M. Newman, "Compensation", Hoewood, IL: Irwin, 2002.
7. W.F. Cascio, "Managing Human Resources", New Delhi, Tata McGraw-Hill, 2004.
8. G. Dessler, "Human Resource Management", New Delhi, Prentice Hall, 2004.
9. M. Wallace and C. Fay, "Compensation Theory and Practice", Boston, PWS-Kent, 1988.
10. D.A. Decenzo and S.P. Robbins, "Personnel/Human Resource Management", New Delhi, Prentice Hall, 2004.
11. ● "Labour Laws", Taxman, New Delhi, 2004.
- H.L. Kumar, "Labour Problems and Remedies", New Delhi, Universal, 2003.
 - GOI, "Report of the National Commission on Labour", New Delhi, 1969.
 - K.N. Subramaniam, "Wages in India", New Delhi, Tata McGraw-Hill, 1979.
12. ● K. Hugessen, "Strategic Compensation: A new compensation model for a new age", *ACA News* 3, Jan 1996.
- G. Mejia et al, "Compensation, Organisational Strategy and Firm Performance", Cincinnati, OH: South-Western, 1992.
13. ● "Variable Pay Rules", *Business World*, 23 July, 2001.
- S.K. Pillai & K. Gini Prakash, "Software Firms adopt Western Salary Mode", *Business Standard*, 24/09/2001.
 - S. Dutta, "More or Less for More", *ET*, 3-9 Nov, 1995
14. ● L.W. Leh, "The care and flourishing of entrepreneurs at 3M", *Directors and Boards*, 1986 Winter.

- D.N. Swinford, "Do not pay for Executive Failure", *Compensation and Benefits Review*, 3(11), 1999.
- 15. ● H. Tosi and L. Tosi, "What Managers need to know about Knowledge-Based Pay", *Organisational Dynamics*, 1986.
- Also see L.A. Berger and D.R. Berger (Eds), "The Compensation Handbook", New York, McGraw Hill, 2000.
- P.L. Gilles, "A Fresh Look at Incentive Plans", *Compensation and Benefits Review* 31(1), 1999.
- 16. ● Hofrichter, "Broad banding; A Second Generation Approach", *Compensation and Benefits Review* 25, 1993.
- L. Reissman, "Nine common myths about Broad banding", *HR Magazine*, 40, August 1995.
- S. Hallett, "Broad banding: A Strategic Tool for Organisational Change" *Compensation and Benefits Review*, 6 May 1995.
- 17. ● C.C. Snow (Ed) *Strategy, Organisation Design and Human Resources Management*, Greenwich: CT: JAI Press, 1999.
- Grow Talent, "Great places to work", *Business World*, Survey, 2003 and 2004.
- 18. Gomez-Mejia et al, "Compensation", opp eit, 1992.
- 19. ● Laxmi Narain, "Managerial compensation and Motivation in Public Enterprises", New Delhi, Oxford, 1973.
- "Executive Compensation Scoreboard", *Business Week*, May 6, 1985.
- "Salary Surveys", *Business Today*, 2002, 2003.
- "SBI chief paid 10% of HDFC Bank MD", *Economic Times*, October 31, 2001
- 'The Paying Game', *ET*, 12 July, 2001.
- 20. ● S. Shukla, "Keeping head-hunting Pests at Bay", *Business Today*, Sep. 16, 2001.
- V. Babu, "Retaining Knowledge", *Business Today*, August 3, 2003.
- V. Dhoot & M. Raj Shekhar, "Whose Knowledge is it Anyway", *Business World*, 16 July, 2001.

Review Questions

1. What is job evaluation? Explain the objectives of job evaluation. How do you prepare the ground for evaluating jobs?
2. What are the conventional and non-conventional techniques of job evaluation? What type of technique would you adopt to evaluate the jobs of Engineer (Maintenance), Engineer (Marketing) and Chief Engineer in a large machine tools industry?
3. What are the quantitative and non-quantitative techniques of job evaluation? Which type of technique do you adopt to evaluate the job of Officer (Agriculture),

Officer (Large Industry), Officer (Small Scale Industry), Economic Officer and General Officer, in a large commercial bank?

4. "Job evaluation does not usually price jobs." Discuss.
5. Explain the advantages and limitations of job evaluation as a basis for fixing and revising wages and salaries.
6. Explain different techniques of job evaluation. What are the advantages and disadvantages of each technique?
7. How can a job evaluation programme be made more effective?
8. Discuss the utility of job evaluation. Briefly explain the various methods of job evaluation.
9. Define and differentiate between job analysis and job evaluation. Explain the organisational context when you would undertake one or the other.
10. Explain the procedure involved in the evaluation of a job.
11. What is pay structure? How is it designed?
12. What are the factors influencing wage structure?
13. Write notes on
 - a. Need based wage
 - b. Wage boards
 - c. Minimum wages act
14. Define and differentiate between living wage and minimum wage.
15. Explain the various methods of fixing wages and salaries in an organisation.
16. Write notes on:
 - a. State regulation of wages
 - b. Bonus
 - c. Time wage plan vs Piece wage plan
17. How does effective compensation management help an organisation achieve its strategic objectives?
18. Critically examine the components of a compensation package in organised industry in India.
19. What are the principal objectives of wage and salary administration? What factors should be taken into account while deciding executive compensation?
20. Write short notes on:
 - Wage policy in India
 - Executive compensation
 - Wage differentials
21. What are the pros and cons of broad banding, and would you recommend your current employer (or some other firm you are familiar with) use it? Why or Why not?

22. What can companies do to ensure internal, external and individual equity for all employees?

Discussion Questions

1. Job evaluation determines the worth of job and not that of the job - holder. Comment.
2. Considering all methods, why is the point method the most widely used for job evaluation?
3. You have been named compensation manager for a hospital. How would you establish a key system?
4. Describe the use of job evaluations in practice. Why is there such a difference between theory and practice?
5. Explain how jobs that are internally and externally equitable in pay may harm an organisation's ability to compete globally.
6. A company has asked you to design a job evaluation system. How would you go about this task?
7. Should the job evaluation depend on an appraisal of the job-holder's performance? Why? Why not?
8. If we pay predominantly for jobs rather than people, how can we reward the truly exceptional performing employee?
9. Why are competency-based compensation, broad banding and variable pay all related to changing strategies for compensating employees?
10. 'If the employees believe that subjectivity and favouritism shape the pay system in an organisation, then it does not matter that the system was properly designed and implemented'? Discuss.
11. Since employees may differ in terms of their job performance, would it not be more feasible to determine the wage rate for each employee on the basis of his or her relative worth to the organisation? Explain
12. What are some of the problems of developing a pay system based on equal pay for comparable work (e.g., women being paid less than those performed by men)?
13. Do small companies need to develop a pay plan? Why or Why Not?
14. How should an organisation integrate its competitive strategy into its compensation system? What specific steps would you follow?
15. Some companies have a policy of selectively matching external offers to prevent employees from leaving the company. What are the pros and cons of such a policy? Explain
16. One expert argues that external equity should always be the primary concern in compensation, noting that it attracts the best employees and prevents the top performers from leaving. Do you agree?

PERFORMANCE APPRAISAL AND POTENTIAL EVALUATION

O U T L I N E

1. Introduction
2. The Performance Appraisal Process
3. Methods of Performance Appraisal
4. 360-Degree Feedback System
5. Problems with Performance Appraisal
6. Essential Characteristics of an Effective Appraisal System
7. Potential Appraisal
8. Performance Appraisal Practices in India

Introduction

After an employee has been selected for a job, has been trained to do it and has worked on it for a period of time, his performance should be evaluated. Performance Evaluation or Appraisal is the process of deciding how employees do their jobs. Performance here refers 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 requirements. Often the term is confused with efforts, which means energy expended and used in a wrong sense. Performance is always measured in terms of results. A bank employee, for example, may exert a great deal of effort while preparing for the CAIIB examination but manages to get a poor grade. In this case, the effort expended is high but performance is low.

Definition

Performance appraisal is a method of evaluating the behaviour of employees in the workspot, normally including both the quantitative and qualitative aspects of job performance. It is a systematic and objective way of evaluating both work-related behaviour and potential of employees. It is a process that involves determining and communicating to an employee how he or she is performing the job and ideally, establishing a plan of improvement.

BOX 45: WHAT IS PERFORMANCE APPRAISAL?

- **Identification:** Means determining what areas of work the manager should be examining when measuring performance - essentially focusing on performance that affects organisational success.
- **Measurement:** Entails making managerial judgements of how good or bad employee performance was.
- **Management:** Appraisal should be more than a post-mortem examination of past events, criticising or praising workers for their performance in the preceding year. Instead, it must take a future-oriented view of what workers can do to realise their potential.

Features

The main characteristics of performance appraisal may be listed thus:

- The appraisal is a systematic process involving three steps:
 - a. Setting work standards.
 - b. Assessing employee's actual performance relative to these standards.
 - c. Offering feedback to the employee so that he can eliminate deficiencies and improve performance in course of time.
- It tries to find out how well the employee is performing the job and tries to establish a plan for further improvement.
- The appraisal is carried out periodically, according to a definite plan. It is certainly not a one shot deal.
- Performance appraisal is not a past-oriented activity, with the intention of putting poor performers in a spot. Rather, it is a future oriented activity showing employees where things have gone wrong, how to set everything in order, and deliver results using their potential in a proper way.
- Performance appraisal is not job evaluation. Performance appraisal refers to how well someone is doing an assigned job. Job evaluation, on the other hand, determines how much a job is worth to the organisation and therefore, what range of pay should be assigned to the job.
- Performance appraisal is not limited to 'calling the fouls'. Its focus is on employee development. It forces managers to become coaches rather than judges. The appraisal process provides an opportunity to identify issues for discussion, eliminate any potential problems, and set new goals for achieving high performance.
- Performance appraisal may be formal or informal. The informal evaluation is more likely to be subjective and influenced by personal factors. Some employees are liked better than others and have, for that reason only, better chances of receiving various kinds of rewards than others. The formal system is likely to be more fair and objective, since it is carried out in a systematic manner, using printed appraisal forms.

Objectives

Performance appraisal could be taken either for evaluating the performance of employees or for developing them. The evaluation is of two types: telling the employee where he stands and using the data for personnel decisions concerning pay, promotions, etc. The developmental objectives focus on finding individual and organisational strengths and weaknesses; developing healthy superior-subordinate relations; and offering appropriate counselling/coaching to the employee with a view to develop his potential in future.

Appraisal of employees serves several useful purposes:

- a. **Compensation decisions:** It can serve as a basis for pay raises. Managers need performance appraisal to identify employees who are performing at or above expected levels. This approach to compensation is at the heart of the idea that raises should be given for merit rather than for seniority. Under merit systems, employee receives raises based on performance.

- b. **Promotion decisions:** It can serve as a useful basis for job change or promotion. When merit is the basis for reward, the person doing the best job receives the promotion. If relevant work aspects are measured properly, it helps in minimising feelings of frustration of those who are not promoted.
- c. **Training and development programmes:** It can serve as a guide for formulating a suitable training and development programme. Performance appraisal can inform employees about their progress and tell them what skills they need to develop to become eligible for pay raises or promotions or both.
- d. **Feedback:** Performance appraisal enables the employee to know how well he is doing on the job. It tells him what he can do to improve his present performance and go up the 'organisational ladder'.
- e. **Personal development:** Performance appraisal can help reveal the causes of good and poor employee performance. Through discussions with individual employees, a line manager can find out why they perform as they do and what steps can be initiated to improve their performance.

BOX 46: THE BENEFITS OF PERFORMANCE APPRAISAL

<p>Employer perspective [Administrative uses]</p> <ul style="list-style-type: none"> • Despite imperfect measurement techniques, individual differences in performance can make a difference to company performance. • Documentation of performance appraisal and feedback may be required for legal defence. • Appraisal offers a rational basis for constructing a bonus or merit system. • Appraisal dimensions and standards can help to implement strategic goals and clarify performance expectations. <p>Employee perspective [developmental purposes]</p> <ul style="list-style-type: none"> • Individual feedback helps people to rectify their mistakes and get ahead, focusing more on their unique strengths. • Assessment and reorganisation of performance levels can motivate employees to improve their performance.
--

What is to be Appraised?

Every organisation has to decide upon the content to be appraised before the programme is approved. Generally, the content to be appraised is determined on the basis of job analysis. The content to be appraised may be in the form of contribution to organisational objectives (measures) like production, savings in terms of cost, return on capital, etc. Other measures are based on: (1) behaviours which measure observable physical actions, movements, (2) objectives which measure job related results like amount of deposits mobilised, and (3) traits which are measured in terms of personal characteristics observable in employee's job activities. The content to be appraised may vary with the purpose of appraisal and type and level of employees. The appraisal factors used in some leading Indian industries are shown below in Table 43.

Table 43: Appraisal Factors used in India

Indian Tobacco Company	A.C.C. Ltd	I.O.C. Ltd	Sandoz (India) Ltd	Union Carbide of India Ltd
1. Ability to plan, delegate, control and coordinate	1. Ability to take decision	1. Job knowledge	1. Quantity of work	1. Job knowledge
2. Knowledge of job	2. Leadership	2. Quality and dependability	2. Availability of work	2. Work output
3. Clarity about objectives	3. Organising ability	3. Quantity of work	3. Ability to learn	3. Drive

Contd...

4. Cost consciousness and result	4. Understanding and conformity with policy	4. Planning, organising and controlling	4. Knowledge of work	4. Ability to handle people
5. Power of expression, written & verbal	5. Judgement	5. Developing people	5. Initiative	5. Judgement
6. Decision-making	6. Employee relationship	6. Cost consciousness	6. Dependability	6. Ability to communicate
7. Comprehension	7. Delegation	7. Intelligence and decision-making	7. Personality	7. Creativity
8. Use of discretion and judgement	8. Ability to communicate	8. Leadership	8. Tidiness	8. Organising ability
9. Resourcefulness and industry	9. Sociability	9. Initiative and original thinking	9. Attendance	
10. Cooperation	10. Ability to run meetings	10. Attitude and cooperation		
11. Manner and general bearing	11. Knowledge and execution of responsibilities	11. Integrity		
12. Dealings and relations with seniors & juniors	12. Attitude to work			
13. Leadership	13. Loyalty			
14. Courage to disagree & to reason tactfully	14. Initiative			

Who will Appraise?

The appraiser may be any person who has thorough knowledge about the job content, contents to be appraised, standards of contents and who observes the employee while performing a job. The appraiser should be capable of determining what is more important and what is relatively less important. He should prepare reports and make judgements without bias. Typical appraisers are: supervisors, peers, subordinates, employees themselves and users of services and consultants.

Supervisors: Supervisors include superiors of the employee, other superiors having knowledge about the work of the employee and departmental head or manager. The general practice is that immediate superiors appraise the performance, which in turn, is reviewed by the departmental head/manager. This is because supervisors are responsible for managing their subordinates and they have the opportunity to observe, direct and control the subordinates continuously. Moreover, they are accountable for the successful performance of their subordinates. Sometimes other supervisors, who have close contact with an employee's work also appraise with a view to provide additional information.

On the negative side, immediate supervisors may emphasise certain aspects of employee performance to the neglect of others. Also, managers have been known to manipulate evaluations to justify their decisions on pay increases and promotions. However, the immediate supervisor will continue to evaluate employee performance till a better alternative is available. Organisations, no doubt, will seek alternatives because of the weaknesses mentioned above and a desire to broaden the perspective of the appraisal.

Peers: Peer appraisal may be reliable if the work group is stable over a reasonably long period of time and performs tasks that require interaction. However, little research

has been conducted to determine how peers establish standards for evaluating others or the overall effect of peer appraisal on the group's attitude. Whatever research was done on this topic was mostly done on military personnel at the management or pre-management level (officers or officer candidates) rather than on employees in business organisations. More often than not in business organisations, if employees were to be evaluated by their peers, the whole exercise could degenerate into a popularity contest, paving the way for the impairment of work relationships.

Subordinates: The concept of having superiors rated by subordinates is being used in most organisations today, especially in developed countries. For instance, in most US universities, students evaluate a professor's performance in the classroom. Such a novel method can be useful in other organisational settings too, provided the relationships between superiors and subordinates are cordial. Subordinates' ratings in such cases can be quite useful in identifying competent superiors. The rating of leaders by combat soldiers is an example. However, the fear of reprisal often compels a subordinate to be dishonest in his ratings. Though useful in universities and research institutions, this approach may not gain acceptance in traditional organisations where subordinates practically do not enjoy much discretion.

Self-appraisal: If individuals understand the objectives they are expected to achieve and the standards by which they are to be evaluated, they are to a great extent, in the best position to appraise their own performance. Also, since employee development means self-development, employees who appraise their own performance may become highly motivated.

BOX 47: SELF APPRAISAL FORM-A MODEL

Name Designation: Qualifications: Category/Group:	Department: Employee Code No.: Scale of Pay and Total Salary
<ol style="list-style-type: none"> 1. Name and designation of the immediate superior. 2. Specify the nature of supervision received from the superior. 3. Indicate your relationship with your superior. 4. Number of subordinates. 5. Indicate the nature of duties of your subordinates. 6. Specify the nature of followerships of your subordinates. 7. Indicate the level of cooperation received from your subordinates. 8. How many times have your subordinates refused your orders? 9. Do your subordinates appreciate your style of leadership? 10. Do you maintain sound human relations with your subordinates? 11. Do you attend to your work punctually? 12. Specify the level of your self-expression, both written and oral. 13. Indicate your level of work with others. 14. Do you prefer team management? 15. Specify the nature and level of your initiative. 16. To what extent are you familiar with your job and with the organisation? 17. Specify the level of your technical and other skills. 18. Indicate your ability to understand new things. 19. Comment about your originality and resourcefulness. 20. Identify the areas of work to which you are best suited. 21. Comment about the level and nature of your judgement skills. 22. Do you have skills of integrity? 23. Do you have the ability to accept responsibility? 24. List out your achievements during the present year. 25. Would you like to develop yourself? If yes, specify the areas of technical, marginal and human relations' areas. 26. Are you interested in specialised jobs or generalised jobs? 	

Contd...

27. Indicate their improvements in your work performance. 28. To what extent have you availed the leave facility? 29. Specify your participation in extra curricular activities. 30. Provide any other related information.	Signature of the Employee
Date Comments of Immediate Superior	Signature

Users of services: Employees' performance in service organisations relating to behaviours, promptness, speed in doing the job and accuracy can be better judged by the customers or users of services. For example, a teacher's performance is better judged by students and the performance of a conductor of a bus is better judged by passengers.

Consultants: Sometimes, consultants may be engaged for appraisal when employees or employers do not trust the supervisory appraisal and management does not trust the self-appraisal or peer appraisal or subordinate appraisal. In this situation, consultants are trained and they observe the employee at work for sufficiently long periods for the purpose of appraisal.

In view of the limitations associated with each and every method discussed above, several organisations follow a multiple rating system wherein several superiors separately fill out rating forms on the same subordinate. The results are then tabulated.

When to Appraise?

Informal appraisals are conducted whenever the supervisor or personnel managers feel it is necessary. However, systematic appraisals are conducted on a regular basis, say, for example, every six months or annually. One study of 244 firms found that appraisals were most often conducted once a year. According to another Indian study, eight organisations appraised their supervisory personnel at their anniversary date of joining. Recent research suggests, however, that more frequent feedback correlates positively with improved performance. Research has also indicated that appraisals for development purpose should be separated from those for salary administration.

The Performance Appraisal Process

Performance appraisal is planned, developed and implemented through a series of steps.

- a. **Establish performance standards:** Appraisal systems require performance standards, which serve as benchmarks against which performance is measured. To be useful, standards should relate to the desired results of each job. What about those appraisals which are carried out without any clear-cut criteria? Observe the following case:

Raju, who had just finished his first year as an office assistant was summoned to his manager's office for his annual performance review. Slightly uneasy, but confident that he has done a good job, Raju arrived at his manager's office at the appointed hour. After the initial exchange of pleasantries, Raju was given a copy of an appraisal form, which was completed as follows:

BOX 48: YEARLY PERFORMANCE REVIEW

Name of the Employee:	Mr Raju
Date:	31.12.1999
Use the following scale to rate the employee (1 poor 2 below average 3 average 4 good 5 excellent)	
a. Absenteeism	1 2 3 4 5
b. Quality of work	1 2 3 4 5
c. Quantity of work	1 2 3 4 5
d. Attitude toward the job	1 2 3 4 5
e. Personality-related factors	1 2 3 4 5
f. Interpersonal relations	1 2 3 4 5
(Bold letters indicate the actual rating by the manager as on 31.12.1999)	
Supervisor _____	Employee _____

Raju got the shock of his life. Why did he not receive any negative feedback about his performance until now? How did the manager rate his personality and interpersonal behaviour so badly? Looking at his unhappy reactions, the manager proceeded to explain how he has failed to win the confidence of his teammates. He also advised Raju to talk to him directly instead of writing to the Director of the company. Speechless and dejected, Raju left the office, wondering as to what he must do to improve his performance and obtain better grades.

To avoid embarrassments of this kind, performance standards must be clear to both the appraiser and the appraisee. The performance standards or goals must be developed after a thorough analysis of the job. Goals must be written down. Just talking about them is not enough. They must be measurable within certain time and cost considerations. For example, the regional sales officer may be asked: "The sales of colour television sets in Ghaziabad must increase by 1000 per month in the next 6 months and the budget toward promotional expenses would Rs 5,000 per month."

BOX 49: CRITERIA FOR IDENTIFYING AND WRITING GOOD PERFORMANCE GOALS

- What is the task to be accomplished?
- What will it look like when it is accomplished?
- When must it be completed?
- What are the cost considerations?

- b. **Communicate the standards:** Performance appraisal involves at least two parties; the appraiser who does the appraisal and the appraisee whose performance is being evaluated. Both are expected to do certain things. The appraiser should prepare job descriptions clearly; help the appraisee set his goals and targets; analyse results objectively; offer coaching and guidance to the appraisee whenever required and reward good results. The appraisee should be very clear about what he is doing and why he is doing it. For this purpose, performance standards must be communicated to appraisees and their reactions should be noted down right away. If necessary, these standards must be revised or modified. As pointed out by De Cenzo and Robbins, "too many jobs have vague performance standards and the problem is compounded when these standards are set in isolation and do not involve the employee".
- c. **Measure actual performance:** After the performance standards are set and accepted, the next step is to measure actual performance. This requires the use of dependable performance measures, the ratings used to evaluate performance. Performance measures – to be helpful – must be easy to use, reliable, and report on the critical behaviours that determine performance. Four common sources of information which are generally used by managers regarding how to

measure actual performance are personal observation, statistical reports, oral reports and written reports.

Performance measures may be objective or subjective. Objective performance measures are indications of job performance that can be verified by others and are usually quantitative. Objective criteria include quality of production, degree of training needed and accidents in a given period, absenteeism, length of service, etc. Subjective performance measures are ratings that are based on the personal standards or opinions of those doing the evaluation, and are not verifiable by others. Subjective criteria include ratings by superiors, (knowledge about) overall goals, and (contribution to) socio-cultural values of the environment. It should be noted here that objective criteria can be laid down while evaluating lower level jobs which are specific and defined clearly. This is not the case with middle level positions that are complex and vague.

BOX 50: MEASUREMENT OF PERFORMANCE OF A TELEPHONE OPERATOR

A telephone company supervisor, while measuring the performance of a telephone operator may observe the following:

- Use of company procedures such as staying calm, following company rules and regulations, etc.
- Pleasant phone manners such as speaking politely in a courteous tone.
- Call-placement accuracy: placing operated assisted calls accurately.

The rater's monitoring of an operator's calls is direct observation. The actual on-line performance is evaluated directly. For example, if a written test is held for telephone operators about company rules and regulations for handling emergency calls, international calls, etc., then the process of evaluation becomes indirect as it is based on a written report about the performance of operators in the test.

- d. **Compare actual performance with standards and discuss the appraisal:** Actual performance may be better than expected and sometimes it may go off the track. Whatever be the consequences, there is a way to communicate and discuss the final outcome. The assessment of another person's contribution and ability is not an easy task. It has serious emotional overtones as it affects the self-esteem of the appraisee. Any appraisal based on subjective criteria is likely to be questioned by the appraisee and leave him quite dejected and unhappy when the appraisal turns out to be negative.
- e. **Taking corrective action, if necessary:** Corrective action is of two types: one puts out the fires immediately, while the other destroys the root of the problem permanently. Immediate action sets things right and get things back on track whereas the basic corrective action gets to the source of deviations and seeks to adjust the difference permanently. Basic corrective steps seek to find out how and why performance deviates.

Methods of Performance Appraisal

The performance appraisal methods may be classified into three categories, as shown in Figure 15.

Performance Appraisal Methods		
Individual evaluation methods	Multiple-person evaluation methods	Other methods
1. Confidential report	9. Ranking	12. Group Appraisal
2. Essay evaluation	10. Paired comparison	13. HRA
3. Critical incidents	11. Forced distribution	14. Assessment centre
4. Checklists		15. Field review
5. Graphic rating scale		
6. Behaviourally anchored rating scales		
7. Forced choice method		
8. MBO		

Figure 15: Performance Appraisal Methods

Individual Evaluation Methods

Under the individual evaluation methods of merit rating, employees are evaluated one at a time without comparing them with other employees in the organisation.

1. **Confidential report:** It is mostly used in government organisations. It is a descriptive report prepared, generally at the end of every year, by the employee's immediate superior. The report highlights the strengths and weaknesses of the subordinate. The report is not databased. The impressions of the superior about the subordinate are merely recorded there. It does not offer any feedback to the appraisee. The appraisee is not very sure about why his ratings have fallen despite his best efforts, why others are rated high when compared to him, how to rectify his mistakes, if any; on what basis he is going to be evaluated next year, etc. Since the report is generally not made public and hence no feedback is available, the subjective analysis of the superior is likely to be hotly contested. In recent years, due to pressure from courts and trade unions, the details of a negative confidential report are given to the appraisee.
2. **Essay evaluation:** Under this method, the rater is asked to express the strong as well as weak points of the employee's behaviour. This technique is normally used with a combination of the graphic rating scale because the rater can elaborately present the scale by substantiating an explanation for his rating. While preparing the essay on the employee, the rater considers the following factors: (i) Job knowledge and potential of the employee; (ii) Employee's understanding of the company's programmes, policies, objectives, etc.; (iii) The employee's relations with co-workers and superiors; (iv) The employee's general planning, organising and controlling ability; (v) The attitudes and perceptions of the employee, in general.

Essay evaluation is a non-quantitative technique. This method is advantageous in at least one sense, i.e., the essay provides a good deal of information about the employee and also reveals more about the evaluator. The essay evaluation method however, suffers from the following limitations:

- It is highly subjective; the supervisor may write a biased essay. The employees who are sycophants will be evaluated more favourably than other employees.
 - Some evaluators may be poor in writing essays on employee performance. Others may be superficial in explanation and use flowery language which may not reflect the actual performance of the employee. It is very difficult to find effective writers now-a-days.
 - The appraiser is required to find time to prepare the essay. A busy appraiser may write the essay hurriedly without properly assessing the actual performance of the worker. On the other hand, appraiser takes a long time, this becomes uneconomical from the view point of the firm, because the time of the evaluator (supervisor) is costly.
3. **Critical incident technique:** Under this method, the manager prepares lists of statements of every effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding or poor behaviour of employees on the job. The manager maintains logs on each employee, whereby he periodically records critical incidents of the workers' behaviour. At the end of the rating period, these recorded critical incidents are used in the evaluation of the workers' performance. An example of a good critical incident of a sales assistant is the following:

July 20 – The sales clerk patiently attended to the customer's complaint. He is polite, prompt, enthusiastic in solving the customer's problem.

On the other hand, the bad critical incident may appear as under:

July 20 – The sales assistant stayed 45 minutes over on his break during the busiest part of the day. He failed to answer the store manager's call thrice. He is lazy, negligent, stubborn and uninterested in work.

This method provides an objective basis for conducting a thorough discussion of an employee's performance. This method avoids recently bias (most recent incidents get too much emphasis). This method suffers, however, from the following limitations:

- Negative incidents may be more noticeable than positive incidents.
- The supervisors have a tendency to unload a series of complaints about incidents during an annual performance review session.
- It results in very close supervision which may not be liked by the employee.
- The recording of incidents may be a chore for the manager concerned, who may be too busy or forget to do it.

Most frequently, the critical incidents method is applied to evaluate the performance of superiors .

4. **Checklists and weighted checklists:** Another simple type of individual evaluation method is the checklist. A checklist represents, in its simplest form, a set of objectives or descriptive statements about the employee and his behaviour. If the rater believes strongly that the employee possesses a particular listed trait, he checks the item; otherwise, he leaves the item blank. A more recent variation of the checklist method is the weighted list. Under this, the value of each question may be weighted equally or certain questions may be weighted more heavily than others. The following are some of the sample questions in the checklist.

- Is the employee really interested in the task assigned? Yes/No
- Is he respected by his colleagues (co-workers) Yes/No
- Does he respect his superiors? Yes/No
- Does he follow instructions properly? Yes/No
- Does he make mistakes frequently? Yes/No

A rating score from the checklist helps the manager in evaluation of the performance of the employee. The checklist method has a serious limitation. The rater may be biased in distinguishing the positive and negative questions. He may assign biased weights to the questions. Another limitation could be that this method is expensive and time consuming. Finally, it becomes difficult for the manager to assemble, analyse and weigh a number of statements about the employee's characteristics, contributions and behaviours.

5. **Graphic rating scale:** Under this method, a printed form, as shown below, is used to evaluate the performance of an employee. A variety of traits may be used in these types of rating devices, the most common being the quantity and quality of work. The rating scales can also be adapted by including traits that the company considers important for effectiveness on the job. A model of a graphic rating scale is given below.

BOX 51: TYPICAL GRAPHIC RATING SCALE

Employee Name.....	Job title				
Department	Rate				
Data					
	Unsatis- factory	Fair	Satis- factory	Good	Outstanding
<ul style="list-style-type: none"> ● Quantity of work Volume of work under normal working conditions ● Quality of work neatness, thoroughness and accuracy of work ● Knowledge of job A clear understanding of the factors connected with the job ● Attitude Exhibits enthusiasm and cooperativeness on the job ● Dependability Conscientious, thorough, reliable, accurate, with respect to attendance, reliefs, lunch breaks, etc. ● Cooperation Willingness and ability to work with others to produce desired goals. 					

From the graphic rating scales, excerpts can be obtained about the performance standards of employees. For instance, if the employee has serious gaps in technical-professional knowledge (knows only rudimentary phases of job); lacks the knowledge to bring about an increase in productivity; is reluctant to make decisions on his own (on even when he makes decisions they are unreliable and substandard); declines to accept responsibility; fails to plan ahead effectively; wastes and misuses resources; etc., then it can safely be inferred that the standards of performance of the employee are dismal and disappointing.

The rating scale is the most common method of evaluation of an employee's performance today. One positive point in favour of the rating scale is that it is easy to understand, easy to use and permits a statistical tabulation of scores of employees. When ratings are objective in nature, they can be effectively used as evaluators. The graphic rating scale may, however, suffer from a long standing disadvantage, i.e., it may be arbitrary and the rating may be subjective. Another pitfall is that each characteristic is equally important in evaluation of the employee's performance and so on.

6. **Behaviourally anchored rating scales:** Also known as the behavioural expectations scale, this method represents the latest innovation in performance appraisal. It is a combination of the rating scale and critical incident techniques of employee performance evaluation. The critical incidents serve as anchor statements on a scale and the rating form usually contains six to eight specifically defined performance dimensions. Figure 16 represents a BARS scale for a college professor.

How to construct BARS? Developing a BARS follows a general format which combines techniques employed in the critical incident method and weighted

checklist rating scales. Emphasis is pinpointed on pooling the thinking of people who will use the scales as both evaluators and evaluatees.

Step I: Collect critical incidents: People with knowledge of the job to be probed, such as job holders and supervisors, describe specific examples of effective and ineffective behaviour related to job performance.

Step II: Identify performance dimensions: The people assigned the task of developing the instrument, cluster the incidents into a small set of key performance dimensions. Generally, between five and ten dimensions account for most of the performance. Examples of performance dimensions include technical competence, relationships with customers, handling of paperwork and meeting day-to-day deadlines. While developing varying levels of performance for each dimension (anchors), specific examples of behaviour should be used, which could later be scaled in terms of good, average or below average performance.

Step III: Reclassification of incidents: Another group of participants knowledgeable about the job is instructed to retranslate or reclassify the critical incidents generated (in Step II) previously. They are given the definition of job dimension and told to assign each critical incident to the dimension that it best describes. At this stage, incidents for which there is lower than 75 per cent agreement are discarded as being too subjective.

Step IV: Assigning scale values to the incidents: Each incident is then rated on a one-to-seven or one-to-nine scale with respect of how well it represents

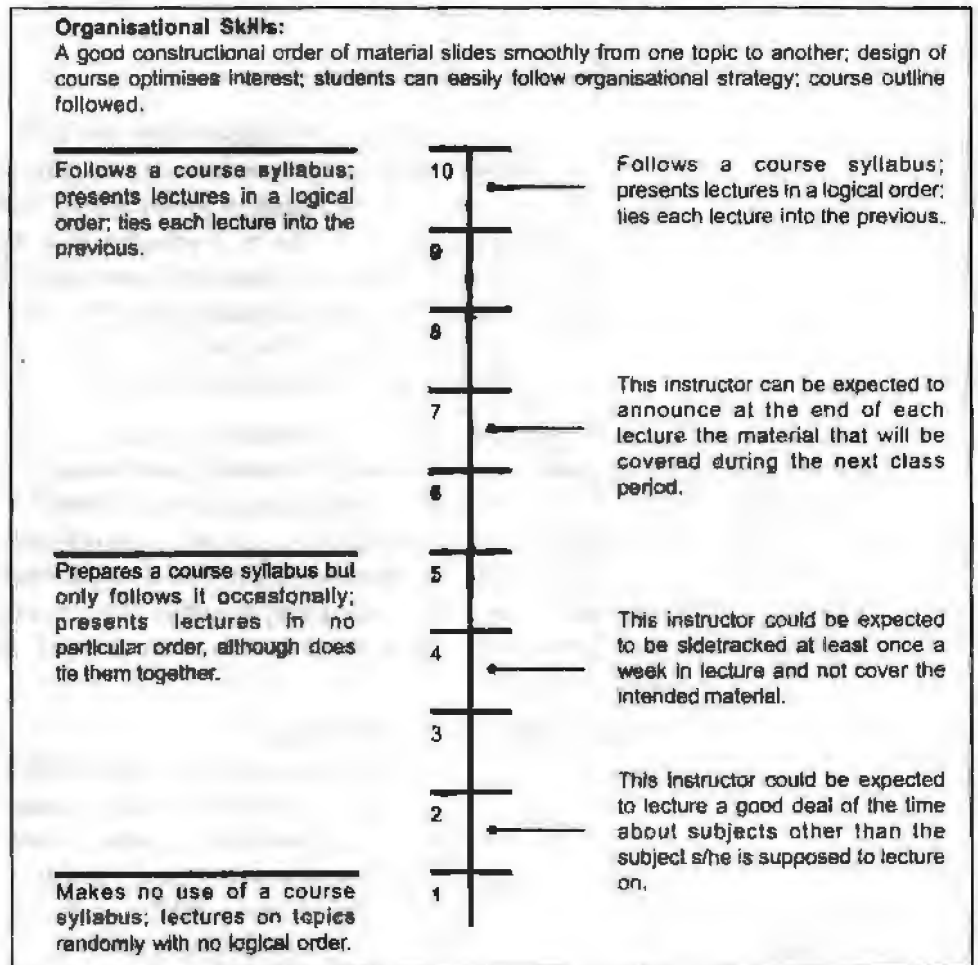


Figure 16: A Sample Behaviourally Anchored Rating Scale for a College Professor

performance on the appropriate dimension. A rating of one represents ineffective performance; the top scale value indicates very effective performance. The second group of participants usually assigns the scale values. Means and standard deviations are then calculated for the scale values assigned to each incident. Typically, incidents that have standard deviations of 1.50 or less (on a 7-point scale) are retained

Step V: Producing the final instrument: About six or seven incidents for each performance dimension – all having met both the retranslating and standard deviation criteria – will be used as behavioural anchors. The final BARS instrument consists of a series of vertical scales (one for each dimension) anchored (or measured) by the final incidents. Each incident is positioned on the scale according to its mean value.

Because the above process typically requires considerable employee participation, its acceptance by both supervisors and their subordinates may be greater. Proponents of BARS also claim that such a system differentiates among behaviour, performance and results and consequently is able to provide a basis for setting developmental goals for the employee. Because it is job-specific and identifies observable and measurable behaviour, it is a more reliable and valid method for performance appraisal.

Researchers, after surveying several studies on BARS, concluded that “despite the intuitive appeal of BARS, findings from research have not been encouraging”. It has not proved to be superior to other methods in overcoming rater errors or in achieving psychometric soundness. A specific deficiency is that the behaviours used are activity oriented rather than results oriented. This creates a potential problem for supervisors doing the evaluation, who may be forced to deal with employees who are performing the activity but not accomplishing the desired goals. Further, it is time consuming and expensive to create BARS. They also demand several appraisal forms to accommodate different types of jobs in an organisation. In a college, lecturers, office clerks, library staff, technical staff and gardening staff all have different jobs; separate BARS forms would need to be developed for each. In view of the lack of compelling evidence demonstrating the superiority of BARS over traditional techniques such as graphic rating scales, Decotiis concluded that: “It may be time to quit hedging about the efficacy of behavioural scaling strategies and conclude that this method has no clear-cut advantages over more traditional and easier methods of performance evaluation”.

7. **Forced choice method:** This method was developed to eliminate bias and the preponderance of high ratings that might occur in some organisations. The primary purpose of the forced choice method is to correct the tendency of a rater to give consistently high or low ratings to all the employees. This method makes use of several sets of pair phrases, two of which may be positive and two negative and the rater is asked to indicate which of the four phrases is the most and least descriptive of a particular worker. Actually, the statement items are grounded in such a way that the rater cannot easily judge which statements apply to the most effective employee. The following box is a classic illustration of the forced choice items in organisations.

Table 44: Forced Choice Items

1.	Least		Most
	A	Does not anticipate difficulties	A
	B	Grasps explanations easily and quickly	B
	C	Does not waste time	C
	D	Very easy to talk to	D
2.	Least		Most
	A	Can be a leader	A
	B	Wastes time on unproductive things	B
	C	At all times, cool and calm	C
	D	Smart worker	D

The favourable qualities earn a plus credit and the unfavourable ones earn the reverse. The worker gets an overall plus rating, when the positive factors override the negative ones or when one of the negative phrases is checked as being insignificantly rated.

Their overall objectivity is increased by using this method in evaluation of employee's performance, because the rater does not know how high or low he is evaluating the individual as he has no access to the scoring key. This method, however, has a strong limitation. In the preparation of sets of phrases trained technicians are needed and as such the method becomes very expensive. Further, managers may feel frustrated rating the employees 'in the dark'. Finally, the results of the forced choice method may not be useful for training employees because the rater himself does not know how he is evaluating the worker. In spite of these limitations, the forced choice technique is quite popular.

8. **Management by Objectives (MBO):** MBO requires the management to set specific, measurable goals with each employee and then periodically discuss the latter's progress towards these goals. This technique emphasises participatively set goals (that are agreed upon by the superior and the employee) that are tangible, verifiable and measurable. MBO focuses attention on what must be accomplished (goals) rather than how it is to be accomplished. It is, thus, a kind of goal setting and appraisal programme involving six steps:

- *Set the organisation's goals:* Establish an organisationwide plan for next year and set company goals.
- *Set departmental goals:* Departmental heads at this stage take the broader company goals (such as improving profits by 20 per cent, increasing market share by 10 per cent etc.) and, with their superiors, jointly set goals for their departments.
- *Discuss departmental goals:* The departmental goals are now put to discussion in a departmental meeting with subordinates. The departmental heads would require the subordinates to set their own preliminary individual goals, focusing mostly on what they can do to achieve the department's goals.
- *Define expected results:* In the next step, the departmental heads and their subordinates agree on a set of participatorily set short term, and individual performance targets.
- *Performance reviews:* Departmental heads compare each employee's actual and targeted performance, either periodically or annually. While periodic review is intended to identify and solve specific performance problems, the annual review is conducted to assess and reward one's overall contribution to the organisation. Because employees are evaluated on their performance results, MBO is often called a result-based performance appraisal system.

- **Provide feedback:** Both parties now discuss and evaluate the actual progress made in achieving goals, where things have gone off the track, how best to rectify the mistakes made in the past, and how the employee could meet the targets next time, focusing attention on his strengths.

However, setting clearly measurable goals is not an easy task. MBO demands a great deal of time to set verifiable goals at all levels of an organisation. In the race to define everything rigidly, some of the qualitative aspects might be ignored (such as employee attitudes, job satisfaction etc). Often the superior may set goals at a frustratingly high level, whereas the subordinate may wish to have it at a comfortable level. At times, the short-term goals may take precedence over long term goal. The only way to overcome these problems is to allow managers at all levels to explain, coordinate and guide the programme in a persuasive, democratic way. The jointly set targets must be fair and attainable. Both the superiors and the subordinates must be taught how to set realistic goals and be familiarised with the results for which they are finally held responsible.

Multiple-person Evaluation Techniques

The above discussed methods are used to evaluate employees one at a time. In this section, let us discuss some techniques of evaluating one employee in comparison to another. Three such frequently used methods in organisations are – ranking, paired comparison and forced distribution.

1. **Ranking method:** This is a relatively easy method of performance evaluation. Under this method, the ranking of an employee in a work group is done against that of another employee. The relative position of each employee is expressed in terms of his numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group. The quintessence of this method is that employees are ranked according to their relative levels of performance. While using this method, the evaluator is asked to rate employees from highest to lowest on some overall criterion. Though it is relatively easier to rank the best and the worst employees, it is very difficult to rank the average employees. Generally, evaluators pick the top and bottom employees first and then select the next highest and next lowest and move towards the average (middle) employees. The longstanding limitations of this method are:
 - The 'whole man' is compared with another 'whole man' in this method. In practice, it is very difficult to compare individuals possessing varied behavioural traits.
 - This method speaks only of the position where an employee stands in his group. It does not tell anything about how much better or how much worse an employee is when compared to another employee.
 - When a large number of employees are working, ranking of individuals becomes a vexing issue.
 - There is no systematic procedure for ranking individuals in the organisation. The ranking system does not eliminate the possibility of snap judgements. In order to overcome the above limitations, a paired comparison technique has been advanced by organisational scholars.
2. **Paired comparison method:** Ranking becomes more reliable and easier under the paired comparison method. Each worker is compared with all other employees in the group; for every trait, the worker is compared with all other employees. For instance, when there are five employees to be compared, then A's performance

is compared with that of B's and decision is arrived at as to whose is better or worse. Next, B is also compared with all others. Since A is already compared with B, this time B is to be compared with only C, D and E. By this method, when there are five employees, fifteen decisions are made (comparisons). The number of decisions to be made can be determined with the help of the formulae $n(n-2)$. Ranking the employees by the paired comparison method may be illustrated as shown in the Table 45.

For several individual traits, paired comparisons are made, tabulated and then rank is assigned to each worker. Though this method seems to be logical, it is not applicable when a group is large. When the group becomes too large, the number of comparisons to be made may become frighteningly excessive. For instance, when $n=100$, comparisons to be made are $100(100-2) = 100(98) = 9800$.

Trait: 'Quantity of work'

Table 45: Employee Rated

As compared to	A	B	C	D	E
A		+	-	+	-
B	-		+	-	+
C	+	-		+	-
D	-	+	-		-
E	+	-	+	+	

3. **Forced distribution method:** Under this system, the rater is asked to appraise the employee according to a predetermined distribution scale. The rater's bias is sought to be eliminated here because workers are not placed at a higher or lower end of the scale. Normally, the two criteria used here for rating are the job performance and promotability. Further, a five-point performance scale is used without any mention of descriptive statements. Workers are placed between the two extremes of 'good' and 'bad' performances. For instance, the workers of outstanding merit may be placed at the top 10% of the scale. The rest may be placed as – 20% —good, 40% —outstanding, 20% —fair and 10% —poor. To be specific, the forced distribution method assumes that all top grade workers should go to the highest 10% grade; 20% employees should go to the next highest grade and so on.

Apart from job performance as the criterion, another equally important factor in this method is promotability. Employees may be classified according to their promotional merits. The scale for this purpose may consist of three points – namely, quite likely promotional material, may/may not be promotional material and quite unlikely promotional material.

One strong positive point in favour of the forced distribution method is that by forcing the distribution according to predetermined percentages, the problem of making use of different raters with different scales is avoided. Further, this method is appreciated on the ground that it tends to eliminate rater bias. The limitation of using this method in salary administration however, is that it may result in low morale, low productivity and high absenteeism. Employees who feel that they are productive, but find themselves placed in a grade lower than expected feel frustrated and exhibit, over a period of time, reluctance to work.

Other methods of appraising performance include: Group Appraisal, Human Resource Accounting, Assessment Centre, Field Review, etc. These are discussed in the following sections:

4. **Group appraisal:** In this method, an employee is appraised by a group of appraisers. This group consists of the immediate supervisor of the employee, other supervisors who have close contact with the employee's work, manager or head of the department and consultants. The head of the department or manager may be the Chairman of the group and the immediate supervisor may act as the Coordinator for the group activities. This group uses any one of multiple techniques discussed earlier. The immediate supervisor enlightens other members about the job characteristics, demands, standards of performance, etc. Then the group appraises the performance of the employee, compares the actual performance with standards, finds out the deviations, discusses the reasons therefor, suggests ways for improvement of performance, prepares an action plan, studies the need for change in the job analysis and standards and recommends changes, if necessary.

This method eliminates 'personal bias' to a large extent, as performance is evaluated by multiple raters. But it is a very time-consuming process.

5. **Human resource accounting:** HRA is a sophisticated way to measure (in financial terms) the effectiveness of personnel management activities and the use of people in an organisation. It is the process of accounting for people as an organisational resource. It tries to place a value on organisational human resources as assets and not as expenses. The HRA process shows the investment the organisation makes in its people and how the value of these people changes over time. The acquisition cost of employees is compared to the replacement cost from time to time. The value of employees is increased by investments made by the company to improve the quality of its human resources such as training, development, and skills acquired by employees over a period of time through experience, etc. When qualified, competent people leave an organisation, the value of human assets goes down. In this method, employee performance is evaluated in terms of costs and contributions of employees. Human resource costs include expenditure incurred by the company in hiring, training, compensating and developing people. The contributions of human resources is the money value of labour productivity. The cost of human resources may be taken as the standard. Employee performance can be measured in terms of employee contribution to the organisation. Employee performance can be taken as positive when contribution is more than the cost and performance can be viewed as negative if cost is more than contribution. Positive performance can be measured in terms of percentage of excess of employee contribution over the cost of employee. Similarly negative performance can be calculated in terms of percentage of deficit in employee contribution compared to the cost of employee. These percentages can be ranked to 'Zero Level' as shown in the Table 46.

Table 46

Rank	Rating	Percentage of surplus/Deficit of contribution to cost of employee
1.	Extremely good performance	Over 200
2.	Good performance	150 – 200
3.	Slightly good performance	100 – 150
4.	Neither poor nor good	0 – 100
5.	Slightly poor performance	0
6.	Poor performance	0 to (-50)
7.	Extremely poor performance	(-50) to (-100)

This technique has not developed fully and is still in the transitional stage.

6. **Assessment centre:** This method of appraising was first applied in German Army in 1930. Later business and industrial houses started using this method. This is not a technique of performance appraisal by itself. In fact it is a system or organisation, where assessment of several individuals is done by various experts using various techniques. These techniques include the methods discussed before in addition to in-basket, role playing, case studies, simulation exercises, structured in sight, transactional analysis, etc.

In this approach, individuals from various departments are brought together to spend two or three days working on individual or group assignments similar to the ones they would be handling when promoted. Observers rank the performance of each and every participant in order of merit. Since assessment centres are basically meant for evaluating the potential of candidates to be considered for promotion, training or development, they offer an excellent means for conducting evaluation processes in an objective way. All assessees get an equal opportunity to show their talents and capabilities and secure promotion based on merit. Since evaluators know the position requirements intimately and are trained to perform the evaluation process in an objective manner, the performance ratings may find favour with a majority of the employees. A considerable amount of research evidence is available to support the contention that people chosen by this method prove better than those chosen by other methods. The centre enables individuals working in low status departments to compete with people from well-known departments and enlarge their promotion chances. Such opportunities, when created on a regular basis, will go a long way in improving the morale of promising candidates working in 'less important' positions.

7. **Field review method:** Where subjective performance measures are used, there is scope for rater's biases influencing the evaluation process. To avoid this, some employees use the field review method. In this method, a trained, skilled representative of the HR department goes into the 'field' and assists line supervisors with their ratings of their respective subordinates. The HR specialist requests from the immediate supervisor specific information about the employees performance. Based on this information, the expert prepares a report which is sent to the supervisor for review, changes, approval and discussion with the employee who is being rated. The ratings are done on standardised forms.

Since an expert is handling the appraisal process, in consultation with the supervisor, the ratings are more reliable. However, the use of HR experts makes this approach costly and impractical for many organisations.

360-Degree Feedback System

A 360-degree feedback system collects performance information from multiple parties, including one's subordinates peers, supervisor and customers. Corporations like GE, Reliance, Crompton Greaves, Wipro, Infosys, Thermax, NTPC, Thomas Cook, SBI, Aditya Birla Group, Mafatlal Group etc., are all using this tool to discover home truths about their managers. Although originally developed (by TV Rao and others in mid-eighties at IIM, Ahmedabad) as a fact-finding and self-correction technique, the 360-degree feedback is also currently used to design promotion and reward. A major advantage of this system is that the feedback comes from multiple sources. If a manager has six subordinates, the manager does not know which subordinate said what, as the results are summarised and averaged. For example, one may criticise the boss for standing too close to people, another may comment on the boss's aggressive tone, the third may take objection to the boss's naughty ways of attending telephone

calls and shuffling papers while a meeting is on. Since such feedback is offered anonymously, the subordinates may unburden themselves of negative ratings somewhat freely.

Table 47: Merits and Demerits of 360-degree Technique

Merits	Demerits
<ul style="list-style-type: none"> ● Evaluates methods applied to achieve targets. ● Reveals strengths and weaknesses in management style. ● Forces inflexible managers to initiate self-change. ● Creates an atmosphere of teamwork and improvement. ● Unearths truths about organisational culture and ambience. 	<ul style="list-style-type: none"> ● Ignores performance in terms of reaching goals. ● Colleague's responses tend to be biased. ● Assesseees deny the truth of negative feedback. ● The system can be used to humiliate people. ● Linking findings to rewards can prove to be unfair.

In actual practice, the 360-degree system can be a very sensitive issue. The system may fail to deliver results, if it is not designed and implemented properly.

Appraisal Interview and Feedback

The post appraisal interview is an essential part of the performance appraisal system. The employee gets useful feedback information about how effectively and efficiently he is able to discharge the assigned duties. It also gives the opportunity to the employee to explain his views about the ratings, standards, rating methods, internal and external causes for low level of performance. The appraiser gets a chance to explain the employee his rating, the traits and behaviours he has taken into account for appraisal, etc. He can utilise this opportunity to offer constructive suggestions, and help, guide and coach the employee for his advancement. The post appraisal interview helps both parties to review standards, and set new standards based on the experience gained. It, thus, serves to meet the following objectives:

1. to let employees know where they stand;
2. to help employees do a better job by clarifying what is expected of them;
3. to plan opportunities for development and growth;
4. to strengthen the superior-subordinate working relationship by developing a mutual agreement of goals;
5. to provide an opportunity for employees to express themselves on performance-related issues.

Feedback Defined

The term 'workplace feedback' implies two things; (a) Job performance – whether 'x' is capably performing specific tasks that have been assigned (b) work-related behaviour – the way 'x' performs his tasks, whether 'x' speaks politely to customers and works cooperatively with other team members. The appraiser and the appraisee need to follow certain things while giving and receiving feedback. These are discussed below: (Pareek, p.127-146).

- a. **Adequate preparation:** The appraisal process should be a continuous one. Informal sessions could be held every now and then to put the employee on track. Formal meetings could take place on a fortnightly, monthly or quarterly basis depending on the progress shown by the employee from time to time. When ratees are rated on various jobs, the meetings could be held more frequently to clarify doubts. For holding performance-related discussions, the rater and ratee could select a location where they can relax and exchange notes with ease. Such one-to-one meetings must be conducted in an atmosphere of mutual trust, understanding and friendship. The hierarchical boundaries should be ignored and positional arrogance should be forgotten.
- b. **Describe behaviour:** The rater should give detailed feedback to the employee. This involves questions such as
 - What happened?
 - Where and when did it occur?
 - Who was involved?
 - How did it affect others?

Statements such as: "The ad copy you wrote just didn't click. Try to put a little more energy into your sales presentations", "I just don't like the way you displayed the items"; do not help the employee because there is no information based on which he can make changes in his actions. Detailed feedback should be specific and accurate. It must give answers to the questions just mentioned above. In the presentation example, an improved way of giving feedback could be: "your presentation is full of ideas but you don't seem to be excited when you were suggesting them; (what he has been doing) your voice is very soft and rate of speaking is low. Our surveys show that your audience think you sound bored with your topic. (Perhaps a small digression here could define where and when and who his listeners are) Could you make the points more clear to the audience by means of concrete examples and interesting anecdotes (redirect energies in a right way?)". While describing behaviour, certain precautions need to be observed:

- i. **Acts, not attitudes**
 - Never attack personality, educational background, physique, etc. Do not comment on employee's attitudes.
 - The right way : you were late twice last week.
 - The wrong way : you just don't care about coming in on time.
- ii. **Future-oriented**
 - Do not dwell on the past; focus on the future, review the past, observe the current performance and use both to improve employee performance in future.
- iii. **Goal-oriented**
 - Each one of us walks along our own path. There may be hurdles on the way. We may overstep and go off the rails. We may obstruct others from realising their goals. But if all of us focus on overall goals and move like teammates, the effort will not go waste.
- iv. **Listen to the recipient**
 - The reactions of the feedback recipient should never be ignored. The

appraiser should give feedback when the appraisee is ready to accept it. This, of course, depends on the appraiser's relationship with the recipient and the recipient's capacity to receive feedback.

v. *Descriptive, not evaluative*

- The feedback should not be judgemental. It should be descriptive and allow the recipient to think and take appropriate action. Consider the statements, which reflect this spirit:
 - Your remark made me 'angry'
 - In the last 10 minutes, you repeated the same statement 4 times.
- On the other hand, evaluative feedback in the form of statements: "your behaviour is not proper, you suffer from inferiority complex, you should be bold enough to say no" will not help the recipient.

vi. *Data-based feedback*

- Effective feedback gives specific information about where the recipient has gone wrong and gives him data in the form of observations, feelings and other things which his behaviour has evoked.
Wrong way: 'Do not interrupt'.
- Right way: You interrupted A, B, C without allowing them to complete their points of view.

vii. *Suggestive*

- The supervisor may offer constructive suggestions aimed at improving the behaviour of the recipient. These should however, be in the form of various alternatives open to the recipient for improving his own ways of doing things. The supervisor should not prescribe actions – what exactly the recipient should do – because that only makes the employee (i) depend on the former for advice and guidance, (ii) ineffective since he is not involved in the decision taken.

viii. *Reinforcement*

- Effective feedback should help a person decide about which style of behaviour he should continue to use. To this end, the supervisor should identify job behaviours and performance of the employee that help achieve goals and encourage the employee to repeat such behaviours and grow gradually.

ix. *Continuous*

- Feedback should not be an annual ritual carried out in a mechanical way. It should be a continuous, on going process of reinforcing right behaviours and checking wrong ways of doing things (Poertner and Miller).

x. *Need-based and solicited*

- Feedback would be effective if the recipient genuinely wants to take it and mends those of his behaviours that are not in tune with job requirements. It should be such that the recipient could think about it and do something to improve his behavioural responses. For example, feedback given to a person on his stammering may not help because it would only reinforce his negative self-image and he cannot do anything about his stammering in the normal course.

- c. **Proper timing:** Feedback should be well-timed. It should be given immediately after the event has taken place. For example the statement, '3 weeks ago I passed you in the corridor; you didn't say hello' – does not serve the purpose as the recipient has no interest to reflect on the event unless the consequences are negative. Timing also means that the recipient of the feedback should be in a position to receive feedback and use it.
- d. **Help both parties:** To be effective, feedback should satisfy the needs of the rater as well as the ratee. The rater may want to help, to influence and to establish a better relationship. To this end, he must move closer to the ratee, understand his problems and suggest remedial steps in a friendly tone. The ratee on his part should listen to the feedback information given by the rater carefully. There is no use overreacting to feedback. When the ratee is praised for showing promise and talent, he should not take it for granted that he does no wrong. A negative comment of the rater likewise, should not influence the ratee's behaviour too badly. The ratee should keep all feedback in perspective and learn from all such information without writing off inappropriate feedback as rude and obnoxious. The ratee should remain calm and cordial throughout the feedback session. He should not be afraid to ask questions. To this end, he must:
- Ask for details, especially when he/she is bombarded with inappropriate feedback.
 - State clearly what he heard from the feedback to make sure that his/her interpretation matches the intention of the appraiser.
 - Seek suggestions for future action. The purpose of feedback is to share information that will help him/her plan the future. Always ask the appraiser to help develop a plan for changing your future actions.
 - Remember to thank the person giving the feedback. Saying 'thanks' demonstrates that your behaviour always remains professional and sets a positive tone for your next interaction.

Problems with Performance Appraisal

The problems inherent in performance appraisal may be listed thus:

- a. **Judgement errors:** People commit mistakes while evaluating people and their performance. Biases and judgement errors of various kinds may spoil the show. Bias here refers to distortion of a measurement. These are of various types:
- i. **First impressions (primacy effect):** The appraiser's first impression of a candidate may colour his evaluation of all subsequent behaviour. In the case of negative primacy effect, the employee may seem to do nothing right; in the case of a positive primacy effect, the employee can do no wrong (Harris, p.192).
 - ii. **Halo:** The Halo error occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions. If a worker has few absences, his supervisor might give the worker a high rating in all other areas of work. Similarly, an employee might be rated high on performance simply because he has a good dress sense and comes to office punctually!
 - iii. **Horn effect:** The rater's bias is in the other direction, where one negative quality of the employee is being rated harshly. For example, the ratee rarely smiles, so he cannot get along with people!

- iv. **Leniency:** Depending on rater's own mental make-up at the time of appraisal, raters may be rated very strictly or very leniently. Appraisers generally find evaluating others difficult, especially where negative ratings have to be given. A professor might hesitate to fail a candidate when all other students have cleared the examination. The leniency error can render an appraisal system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among employees.
 - v. **Central tendency:** An alternative to the leniency effect is the central tendency, which occurs when appraisers rate all employees as average performers. For example, a professor, with a view to play it safe, might give a class grades nearly equal to B, regardless of the differences in individual performance.
 - vi. **Stereotyping:** Stereotyping is a mental picture that an individual holds about a person because of that person's sex, age, religion, caste, etc. By generalising behaviour on the basis of such blurred images, the rater grossly overestimates or underestimates a person's performance. For example, employees from rural areas might be rated poorly by raters having a sophisticated urban background, if they view rural background negatively.
 - vii. **Recency effect:** In this case, the rater gives greater weightage to recent occurrences than earlier performance. For example, an excellent performance that may be six or seven months old is conveniently forgotten while giving a poor rating to an employee's performance which is not so good in recent weeks. Alternatively, the appraisal process may suffer due to a 'spill over effect' which takes place when past performance influences present ratings.
- b. **Poor appraisal forms:** The appraisal process might also be influenced by the following factors relating to the forms that are used by raters:
- The rating scale may be quite vague and unclear
 - The rating form may ignore important aspects of job performance.
 - The rating form may contain additional, irrelevant performance dimensions.
 - The forms may be too long and complex.
- c. **Lack of rater preparedness:** The raters may not be adequately trained to carry out performance management activities. This becomes a serious limitation when the technical competence of a ratee is going to be evaluated by a rater who has limited functional specialisation in that area. The raters may not have sufficient time to carry out appraisals systematically and conduct thorough feedback sessions. Sometimes, the raters may not be competent to do the evaluations owing to a poor self-image and lack of self-confidence. They may also get confused when the objectives of appraisal are somewhat vague and unclear.

BOX 52: WHY PERFORMANCE APPRAISALS FAIL?: TOP 10 REASONS

- Manager lacks information concerning an employee's actual performance.
- Standards to evaluate an employee's performance are not clear.
- Manager does not take appraisal seriously.
- Manager is not prepared for the appraisal review with the employee.

Contd...

- Manager is not honest/sincere during the evaluation
- Manager lacks appraisal skills.
- Employee does not receive ongoing performance feedback.
- Insufficient resources offered to reward performance.
- There is ineffective discussion of employee development.
- Manager uses unclear/ambiguous language in the evaluation process.

See (i) C.O. Longnecker and S.J. Golf, "Why performance Appraisals still fail?", *Journal of Compensation and Benefits*, 4, Nov-Dec. 1990.

(ii) P. Falcone, "7 Deadly Sins of Performance Appraisals", *Supervisory Management*, 30 Jan, 1994.

- d. **Ineffective organisational policies and practices:** If the sincere appraisal effort put in by a rater is not suitably rewarded, the motivation to do the job thoroughly finishes off. Sometimes, low ratings given by raters are viewed negatively by management – as a sign of failure on the part of rater or as an indication of employee discontent. So, most employees receive satisfactory ratings, despite poor performance. Normally, the rater's immediate supervisor must approve the ratings. However, in actual practice, this does not happen. As a result, the rater 'goes off the hook' and causes considerable damage to the rating process.

Essential Characteristics of an Effective Appraisal System

Performance appraisal system should be effective as a number of crucial decisions are made on the basis of score or rating given by the appraiser, which in turn, is heavily based on the appraisal system. An appraisal system, to be effective, should possess the following essential characteristics:

- a. **Reliability and validity:** Appraisal system should provide consistent, reliable and valid information and data, which can be used to defend the organisation – even in legal challenges. If two appraisers are equally qualified and competent to appraise an employee with the help of the same appraisal technique, their ratings should agree with each other. The technique them demonstrably satisfies the conditions of inter-rater reliability. Appraisals must also satisfy the condition of validity, by measuring what they are supposed to measure. For example, if appraisal is made for potential of an employee for promotion, it should supply the information and data relating to potentialities of the employee to take up higher responsibilities and carry on activities at higher level.
- b. **Job relatedness:** The appraisal technique should measure the performance and provide information in job related activities/areas.
- c. **Standardisation:** Appraisal forms, procedures, administration of techniques, ratings, etc., should be standardised as appraisal decisions affect all employees of the group.
- d. **Practical viability:** The techniques should be practically viable to administer, possible to implement and economical to undertake continuously.
- e. **Legal sanction:** Appraisals must meet the laws of the land. They must comply with provisions of various statutes relating to labour.
- f. **Training to appraisers:** Because appraisal is important and sometimes difficult, it would be useful to provide training to appraisers viz., some insights and ideas on rating, documenting appraisals and conducting appraisal interviews. Familiarity with rating errors can improve rater's performance and this may inject the needed confidence in appraisers to look into performance ratings more objectively.

- g. **Open communication:** Most employees want to know how well they are performing the job. A good appraisal system provides the needed feedback on a continuing basis. The appraisal interviews should permit both parties to learn about the gaps and prepare themselves for future. To this end, managers should clearly explain their performance expectations to their subordinates in advance of the appraisals period. Once this is known, it becomes easy for employees to learn about the yardsticks and, if possible, try to improve their performance in future.
- h. **Employee access to results:** Employees should know the rules of the game. They should receive adequate feedback on their performance. If performance appraisals are meant for improving employee performance, then withholding appraisal result would not serve any purpose. Employees simply cannot perform better without having access to this information. Permitting employees to review the results of their appraisal allows them to detect any errors that may have been made. If they disagree with the evaluation, they can even challenge the same through formal channels.
- i. **Due process:** It follows then that formal procedures should be developed to enable employees who disagree with appraisal results (which are considered to be inaccurate or unfair). They must have the means for pursuing their grievances and having them addressed objectively.
- Performance appraisal should be used primarily to develop employees as valuable resources. Only then it would show promising results. When management uses it as a whip or fails to understand its limitations, it fails. The key is not which form or which method is used (Mathis and Jackson).

Potential Appraisal

In most Indian organisations, people earn promotions on the basis of their past performance. The past performance is considered a good indicator of future job success. This could be true, if the job to be performed by the promotee is similar. However, in actual practice, the roles that a person played in the past may not be the same as the one(s) he is expected to play if he is assigned a different job after his transfer or promotion to a new position. Past performance, therefore, may not be a good indicator of the suitability for a higher role.

To overcome this inadequacy, organisations must think of a new system called potential appraisal. The objective of potential appraisal is to identify the potential of a given employee to occupy higher positions in the organisational hierarchy and undertake higher responsibilities.

Potential appraisals are required to:

- inform employees about their future prospects;
- help the organisation chalk out a suitable succession plan;
- update training efforts from time to time;
- advise employees about what they must do to improve their career prospects.

Steps to be Followed while Introducing a Good Potential Appraisal System

The following are some of the steps required to be followed while introducing a potential appraisal system:

- **Role Descriptions:** Organisational roles and functions must be defined clearly. To this end, job descriptions must be prepared for each job.
- **Qualities needed to perform the roles:** Based on job descriptions, the roles to be played by people must be prepared (i.e., technical, managerial jobs and behavioural dimensions).
- **Rating mechanisms:** Besides listing the functions and qualities, the potential appraisal system must list mechanisms of judging the qualities of employees such as:
 - i. **Rating by others:** The potential of a candidate could be rated by the immediate supervisor who is acquainted with the candidate's work in the past, especially his technical capabilities.
 - ii. **Tests:** Managerial and behavioural dimensions can be measured through a battery of psychological tests.
 - iii. **Games:** Simulation games and exercises (assessment centre, business games, in-basket, role play, etc.) could be used to uncover the potential of a candidate.
 - iv. **Records:** Performance records and ratings of a candidate on his previous jobs could be examined carefully on various dimensions such as initiative, creativity, risk taking ability, etc., which might play a key role in discharging his duties in a new job.
- **Organising the system:** After covering the above preliminaries, the HR manager must set up a system that will allow the introduction of the scheme smoothly incorporating answers to some complex questions such as:
 - i. How much weightage to accord to merit in place of seniority in promotions?
 - ii. How much weightage to accord to each of the performance dimensions – technical, managerial, behavioural qualities?
 - iii. What are the mechanisms of assessing the individual on different indicators of his potential, and with what degree of reliability?
- **Feedback:** The system must provide an opportunity for every employee to know the results of his assessment. "He should be helped to understand the qualities actually required for performing the role for which he thinks he has the potential, the mechanisms used by the organisations to appraise his potential and the results of such an appraisal".

How do Leading Indian Companies Appraise Potential?

Leading Indian companies like Philips, Glaxo, Cadbury, Sandoz, Pfizer, Mafatlal, Proctor and Gamble have all redesigned their systems in recent times, shifting from a pure performance orientation to a potential-cum-performance based appraisal system. The Philips model, in this connection, is worth mentioning, shown below in Figure 17 here.

- a. **Low potential-low performance:** Employees with low potential and low performance levels ('question marks') are asked to improve their performance initially. If that effort fails, Philips works towards a planned separation.
- b. **Low potential-high performance:** Defined as solid citizens-high skills but limited capability to grow beyond their current job profile-they constitute 70 to 75 per

cent of the company's employees. The company has to constantly recognise their limitations and look after their needs.

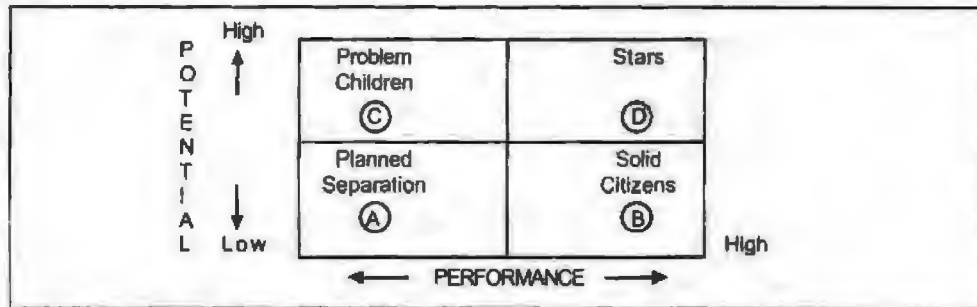


Figure 17: HRM as a Central Subsystem In an Enterprise

- c. **Low performance-high potential:** These are the problem children. In most cases, they do well in their jobs – if a location, boss or job profile is changed. To tap their potential, such employees are given a new scenario to work in and are closely observed. If they continue to show low performance, the separation process is initiated.
- d. **High performance-high potential:** They are the star performers and ought to be pampered like race horses – putting them on challenging tasks constantly.

Philips uses a five-point scale to measure the potential of an employee and put him into one of the above quadrants. The potential appraisal criteria include the following: 1. Conceptual effectiveness (including vision, business orientation, entrepreneurial orientation, sense of reality), 2. Interpersonal effectiveness (network directedness, negotiating power, personal influence, verbal behaviour), 3. Operational effectiveness (result orientation, individual effectiveness, risk-taking, control), 4. Achievement Motivation (drive, professional ambition, innovativeness, stability). Once the potential of an employee is measured along these dimensions on a five-point scale, Philips lays down a fast-track, career growth plan for the star performers. (5 year to 10 year plan). Companies like Glaxo, Cadbury have similar processes in place to separate the star performers from the employee ranks and exploit their potential fully using rewards and incentive schemes to good effect.

Performance Appraisal Practices in India

There are three different approaches for carrying out appraisals. Employers can be appraised against (i) absolute standards (where employees' performance is measured against some established standards; the subjects here are not compared with any other person) (ii) relative standards (where the subjects are compared against other individuals) and (iii) objective. Here, employees are evaluated by how well they accomplish a specific set of objectives that have been determined to be critical in the successful completion of their job. No one approach is always best; each has its strengths and weaknesses. Of course, a successful performance appraisal system requires more than good technique. It depends on a consistent approach for comparability of results, clear standards and measures, and bias-free ratings. Against this backdrop, let's see how some of the leading companies in India carry out the appraisal process.

- (i) **Hughes escorts:** Hughes Escorts, the subsidiary of the US-headquartered telecom company, Hughes, uses a competency-based performance-enhancement model. Each position in the organisation is defined in terms of 23 key competencies, categorised into four groups: attitude-based, knowledge-driven, skill-centred, and value-based. The company uses these competencies to measure shortfalls and

provide relevant training inputs. This is done to both maximise productivity and make employees aware of their professional standing.

- (ii) **National panasonic:** This Japanese white-goods major has developed a performance-assessment system driven by key result areas (KRAs). KRAs describe performance goals – business, functional, and behavioural ones – with defined time-frames and are decided jointly by the employee and the manager at the beginning of the year. It is a structured exercise using a written format. These KRAs are then used to map the employee's progress and, based on the results, the company decides to plug performance gaps with the help of relevant training inputs. National Panasonic puts a great deal of emphasis on this process for re-skilling its employees as it believes in growing its own timber rather than opting for expensive mid-career hires.
- (iii) **Larsen & Toubro:** Engineering major Larsen & Toubro has developed a competency matrix which lists 73 competencies – that vary across managerial levels – to measure performance and gauge development needs of its employees. Each listed competency has associated knowledge, skills, and attributes. The company appraises individual employees in the listed competencies, and zeroes in on the functional, managerial, and behavioural skill gaps. Subsequently, customised reinforcement is provided. Further, as the matrix is linked to business strategy on the one hand and training needs on the other, strategic needs drive the company's development policies, making the process of re-learning and re-skilling easier, and more focused.
- (iv) **Daewoo motors:** Auto major Daewoo Motors Ltd. has introduced a parameter on team work in its appraisal process. Targets are set according to business plans in the beginning of the year and assigned to various functional teams. Subsequently, the team's performance is measured on the basis of its achievement vis-à-vis its goals. This done, the top management allocates ratings (which can vary from outstanding to average) to each team. In a parallel process, the team-supervisor appraises each team member. Both ratings are taken into account before a final rating is assigned by the senior management team to each functional team and every team member. Rewards, including performance increments, bonuses, and promotions are given out on the basis of this final rating.
- (v) **EIH Ltd:** Hospitality company EIH recently overhauled its performance appraisal system to make it more participatory and competency-driven. Now, employees are appraised on the achievement of specific individual and functional targets, as well as generic competencies like technical, functional, managerial, decision-making, and leadership skills. Performance ratings ranging from outstanding to below-average are given accordingly. The exercise is followed by an employee feedback process, where employees are required to answer. EIH had taken its managers through an extensive tour of its new appraisal process to raise comfort levels, and hopes to use its as a vehicle for people-based growth.
- (vi) **Pepsi Co. India:** Beverage giant Pepsi Co. (India) employs an annual appraisal process that is (numerical) target driven. As a large part of Pepsi's compensation package comprises performance pay in the form of bonuses – varying from 15 per cent at junior levels to 60-plus per cent at senior rungs – the manager's performance is determined on three key parameters: volume growth, marketshare, and net operating profit, to compute the variable component to compensation. Managers are also rated on key behavioural and functional competencies to assess their potential for advancement within the organisation.

The Challenges in Performance Management

In present day organisations, the twin principles of motivating employees are common at all levels: acknowledge unique contributions and alleviate personal concerns that impact professional performance. To get the best out of people, the CEOs should:

- Create a culture of excellence that motivates employees at all levels.
- Match organisational objectives with individual aspirations.
- Equip people with requisite skills to discharge their duties well.
- Clear growth paths for talented employees.
- Provide new challenges to rejuvenate flattening corners.
- Empower employees to take decisions without fear of failing.
- Encourage teamwork and team spirit and open communication.

Summary

- Performance appraised systems are designed to improve performance, they broadly cover three areas: define performance, facilitate performance and encourage performance.
- The appraisal systems are used for a variety of development and administrative purposes.
- Appraisals can be done either informally or systematically. Systematic appraisals are done annually.
- Appraisals can be done by superiors, peers, subordinates, teams, outsiders or a combination of raters. Employees also can carry out self-appraisals.
- Three types of appraisal methods are generally used: individual evaluation methods, multiple person evaluation methods and other methods, including HRA, assessment centre, and 360 degree feedback, etc.
- Appraisals should be carried out in an objective manner, scrupulously following the criteria laid down for this propose. When appraisals take a subjective route, several problems crop up instantaneously: such as rating errors, poor forms, lack of rater preparedness, ineffective organisational policies and practices.
- To improve the reliability and validity of ratings, it is essential to train raters (apart from setting an objective set of criteria for evaluating performance). A variety of suggestions are advanced by HR professionals to overcome these problems. Recent approaches to performance management have involved more parties in the whole process of evaluation including subordinates, peers, customers etc.
- Giving and receiving feedback is not an easy task. If done properly, both organisation and employee will immensely benefit from such an exercise.

Terminology

- **Performance appraisal:** A systematic and objective way of evaluating both work related behaviour and potential of employees
- **Human resource accounting:** It is a sophisticated way to measure the effectiveness of personnel management activities and the use of people in an organisation.

- **Halo effect:** Bias which occurs when the rater's personal opinion of a specific trait of employee influences the rater's overall assessment of performance.
- **Rater bias:** Error that occurs when a rater's values or prejudices distort the rating.
- **Contrast error:** Tendency to rate people relative to other people rather than to performance standards.
- **Behaviourally anchored ratios scale:** It is an absolute assessment technique wherein critical incidents are identified and a range of performance possibilities (from poor to good) are described for each dimension.
- **Assessment centre:** It is an appraisal technique that relies on multiple types of evaluation and multiple raters.
- **Central tendency:** The reluctance to use the extremes of a rating scale and to thereby fail to adequately differentiate employees being rated.
- **Impression management:** Efforts by employees to obtain higher ratings by portraying an image desired by their supervisors.
- **Ranking:** Listing employees from best to worst.
- **MBO:** An approach in which employee and supervisor jointly establish clear, measurable performance jobs for the future.
- **Rating scale:** A method which requires the rater to provide a subjective performance evaluation along a scale from low to high.
- **Checklist:** Performance appraisal tool that uses a lot of statements or words that are checked by raters.
- **Forced choice:** A method requiring the rater to select the most descriptive statement in each pair of statements about the employee being rated.
- **Paired comparison:** A method that compels raters to compare each employee with all other employees who are being rated in the same group.
- **360 degree feedback:** Information is gathered from a variety of sources in this system, including subordinates who complete performance appraisals, then the results are summarised for the employee and necessary improvements are discussed.

References

1. ● T.V. Rao, "Appraising and Developing Managerial Performance", New Delhi, Excel Books, 1999.
 - Udai Pareek, T.V. Rao, "Designing and Managing Human Resources Systems", Oxford and IBH, New Delhi, 1995.
 - M. Bolar, "Performance Appraisal", New Delhi, Vikas, 1978.
 - Udai Pareek et al., "Behavioural Processes in Organisations", Delhi, Oxford IBH, 1994.
2. ● J. Cleveland et al., "Multiple Uses of Performance Appraisal". Journal of Applied Psychology, 7, 1989.
 - H.J. Bernardin, R.W. Beatty, "Performance Appraisal", Boston: MA: PWS Kent, 1984.

- K.R. Murphy, J. Cleveland, "Performance Appraisal", Boston, M.A: Allyn & Bacon, 1991.
- H.K. Baker, "Two Goals in Every Performance Appraisal", Personnel Journal, 9,1984.
- 3. ● R.L. Candy, K.P. Carson, "Total Quality and the Abandonment of Performance Appraisal", Journal of Quality Management, 1996.
- J.W. Smither(ed), "Performance Appraisal", San Francisco, Jossey-Bass, 1998.
- 4. ● C.B. Mamoria, "Personnel Management", New Delhi, Himalaya, 2000.
- Ajay Singh (ed), "Synergising HRD Interventions", New Delhi, Excel Books, 2001.
- 5. ● M. Bolar, opp.cit.1978.
- O.P. Bhatia, "Performance Appraisal, Proceedings of the Seminar on Personal Selection and Appraisal Systems", Calcutta, Indian Institute of Psychometry, 1981.
- T.V. Rao op. cit, "Appraisal Practices in India", pp 241-253, 1999.
- 6. ● D.A. DeCenzo, S.P. Robbins, "Personnel/Human Resource Management", New Delhi, Prentice Hall, 2004.
- According to Cascio the broad process of performance management requires management to take note of three things (i) Define performance (through goals, measures and assessments) (ii) Facilitate performance (by identifying objectives) and (iii) Encourage performance (by providing timely rewards that people care about in a sufficient amount, fairly). W.F. Cascio, "Managing Human Resources", New Delhi, Tata McGraw-Hill, 2003.
- 7. ● Bearnardin, Beatty, opp cit, 1984.
- K.R. Murphy, J.N. Cleveland, "Performance Appraisal", Boston, Allyn & Bacon, 1991.
- D. Grote, "Performance Appraisal Revisited", Harvard Business Review, Jan-Feb, 2000.
- R.I. Henderson, "Performance Appraisal", Reston, VA; Reston Publisher's Co, 1984.
- 8. ● Ed Yager, "A Critique of Performance Appraisal System", Personnel Journal, Feb, 1981.
- R. D. Gatewood, H.S. Feild, "Human Resource Selection", Orlando, Fl: Dryden, 1998.
- 9. ● T.V. Rao (ed) et al., "360-degree Feedback and Performance Management System", New Delhi, Excel Books, 2000.
- D. Antonioni, "Designing an Effective 360-degree Appraisal Feedback Process", Organisational Dynamics, 25,1996.
- A. Tandon, "The 360-Degree Technique", "Managing People", Business Today, Jan 7-12,1996.

- G. Mejia et al., "Improving the Effectiveness of Performance Appraisal", *Personnel Administrator*, Jan 1985.
- 10. ● K. Teel, "Performance Appraisal: Current trends", *Personnel Journal*, April 1980.
- D.A. Gioia, H.P. Sims, "Behind the Mask: The Politics of Performance Appraisal", *Academy of Management Executive*, 1,1987.
- 11. S. Modak, "How to Appraise Potential?", *Business Today*, Jan 7-21, 1996.
- 12. *Business Today*, June 22–July 6, 2000 and June 7-21, 2000.

Internet Sources

1. 360-degree feedback:
Ous.usa.net/msasbro.htm
<http://www.teamsinc.com>
2. Peer appraisal system:
[www.workteams.unt.edu
u80/proceed/Jwax.htm](http://www.workteams.unt.edu/u80/proceed/Jwax.htm)
3. PA systems and procedures in an educational institution.
[http://www.hr.rpi.edu/
hartford/policies/
rhman8.htm](http://www.hr.rpi.edu/hartford/policies/rhman8.htm)
4. Also visit:
<http://www.npr.gov>

Review Questions

1. Describe in detail the process of performance appraisal.
2. Discuss the merits and demerits of critical incident technique and graphic rating scales.
3. Why does current thinking indicate that appraisal for training should be conducted separately from appraisal for promotion?
4. To what extent can appraisal problems be minimised through computerisation and by taking adequate precautions?
5. Explain the post appraisal interview problem between the superior and the subordinate.
6. Evaluate the significance of performance appraisal in an educational institution. How would you make it more effective?
7. "Performance appraisal is not merely for appraisal but is for accomplishment and improvement of performance". Discuss.
8. Distinguish performance appraisal from potential appraisal.
9. What are the three methods of appraisal? Which method would you prefer as an employee? As a manager? Why?

10. Describe how to prepare a BARS for a payroll clerk.
11. Suppose you are a supervisor. What errors might you make when doing an employees' performance appraisal?
12. Why is training of appraisers so important to an effective performance appraisal system?
13. How would you get an interviewee to talk during an appraisal interview?
14. Discuss the pros and cons of using different potential raters to appraise a person's performance.

Discussion Questions

1. "Some of the so-called modern industries still follow traditional techniques of performance appraisal". Do you agree? If yes, defend your argument with reasoning.
2. "Management by objectives is not a technique of performance appraisal but it denotes a systematic process of performance appraisal". Explain critically.
3. Construct a plan for a post appraisal interview with an employee who has performed poorly.
4. Think of a time when an employee you supervised, interacted with a customer and did something wrong. How would you have given him feedback?
5. Think of a time when someone gave you feedback in an inappropriate manner. Given what you read in this chapter, how could you have reacted to improve the usefulness of the feedback?
6. What sources could be used to evaluate the performance of people working in the following jobs?
 - a. Sales Representative.
 - b. Chief of nursing in a hospital.
 - c. HR manager.
 - d. Air-traffic controller.
 - e. College professor.
7. Critically examine the following statement: "Most performance appraisal systems in use today would not pass legal scrutiny."
8. Good raters are born, not made. Do you agree or disagree? Discuss.
9. The higher the position an employee occupies in an organisation, the easier it is to appraise his or her performance objectively. Do you agree or disagree? Discuss.

**INDUSTRIAL RELATIONS AND
TRADE UNIONS**

O U T L I N E

1. Introduction
2. Industrial Relations
3. Objectives of Industrial Relations
4. Approaches to Industrial Relations
5. HRD Approach to Industrial Relations
6. Essential Conditions for Sound Industrial Relations
7. Significance of Industrial Relations
8. Industrial Conflict
9. Forms of Industrial Disputes
10. Causes of Industrial Disputes
11. Industrial Disputes in India
12. Industrial Disputes: Preventive Machinery
13. Industrial Disputes: Settlement Machinery
14. Conciliation
15. Voluntary Arbitration
16. Adjudication
17. Trade Unions – Introduction
18. Definition
19. Objectives of Trade Unions
20. Functions of Trade Unions
21. Union Structure
22. Growth of Trade Union Movement and Membership
23. The Trade Unions Act, 1926 and Legal Framework
24. Union Recognition
25. Voluntary recognition under the Code of Discipline, 1958
26. Verification of Trade Union Membership
27. The Check-off System
28. Recommendations of National Commission on Labour
29. Union Problems

30. Current Trends in Trade Unionism
31. Employers' Associations
32. Evaluation

Introduction

Economists have traditionally identified four factors of production, viz, land, labour, capital and organisation. The role of labour as a factor of production is becoming increasingly important in the modern society. Capital and natural resource endowments, no doubt, are vital elements in the production process but it is labour which contributes most to the wealth of a company. "Human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political organisations and carry forward national development". Growing industrialisation and the rapid expansion of the services sector resulted in the galloping demand for skilled labour after 50s. The emergence of the concept of human relations, human resource management and human resource development contributed to the growing importance of labour. The issue of industrial relations arose from the issue of divorce of the workers from the ownership and management of the production process. This has brought about a sense of deprivation and loss of independence on the part of workers and is probably the primary cause of industrial disputes. Industrial work has drastically reduced the independence of workers and made them mere cogs in the machine – a kind of 'second class citizens'. The disciplinary rules for work have become quite harsh and arbitrary. The heterogeneous nature of workers, illiteracy and politicisation of trade unions made it impossible for the workers to bargain for their rights unitedly. All these factors have led to growing unrest among the ranks of workers.

Industrial Relations

The term 'industrial relations' refers to relationships between management and labour or among employees and their organisations that characterise or grow out of employment. Theoretically speaking, there are two parties in the 'employment' relationship – labour and management. Both parties need to work in a spirit of cooperation, adjustment and accommodation. In their own mutual interest certain rules for co-existence are formed and adhered to. Over the years, the State has also come to play a major role in industrial relations – one, as an initiator of policies and the other, as an employer by setting up an extremely large public sector.

The term 'industrial relations' has been defined by different authors in different ways. Dale Yoder defined it as "a relationship between management and employees or among employees and their organisations, that characterise and grow out of employment".

According to R A Lester, industrial relations "involve attempts to have workable solutions between conflicting objectives and values, between incentive and economic security, between discipline and industrial democracy, between authority and freedom and between bargaining and cooperation".

According to the ILO, "industrial relations deal with either the relationships between the state and the employers and the workers' organisation or the relation between the occupational organisations themselves". The ILO uses the expression to denote such matters as "freedom of association and the protection of the right to organise, the application of the principles of the right to organise, and the right of collective bargaining,

collective agreements, conciliation and arbitration and machinery for cooperation between the authorities and the occupational organisations at various levels of the economy.

The following points emerge from a close examination of the above definitions:4

1. **Employer-employee interactions:** Industrial relations arise out of employer-employee interactions. These relations cannot exist without the basic building blocks, i.e., the employer on one side and the employees on the other side.
2. **Web of rules:** Industrial relations are a 'web of rules' formed by the interaction of the government, the industry and the labour. They include the relations between employer and employees and between employers' associations, trade unions as well as the State.
3. **Multidimensional:** Industrial relations are fairly multi-dimensional in nature as they are influenced, by a complex set of institutional, economic and technological factors.

BOX 53: FACTORS INFLUENCING INDUSTRIAL RELATIONS

Industrial relations are influenced by various factors viz., institutional factors, economic factors and technological factors.

1. **Institutional factors:** These factors include government policy, labour legislation, voluntary courts, collective agreements, employee courts, employers' federations, social institutions like community, caste, joint family, creed, system of beliefs, attitudes of workers, system of power, status, etc.
2. **Economic factors:** These factors include economic organisations, like capitalist, communist, mixed, etc., the structure of labour force, demand for and supply of labour force, etc..
3. **Technological factors:** These factors include mechanisation, automation, rationalisation, computerisation, etc.

4. **Dynamic and changing:** Industrial relations change with the times, generally keeping pace with the expectations of employees, trade unions, employers' associations, and other economic and social institutions in a society. Apart from the legal framework, these societal forces generally influence the direction of industrial relations within a country.
5. **Spirit of compromise and accommodation:** The industrial relations system is characterised by forces of conflict and compromise on either side. In the larger interests of society, both the employer and the employees must put out fires amicably and get along with each other in a spirit of compromise and accommodation. The individual differences and disagreements must be dissolved through persuasion and even pressure. The factors responsible for conflictful situations need to be resolved through constructive means.
6. **Government's role:** The government influences and shapes industrial relations with the help of laws, rules, agreements, awards of courts and emphasis on usages, customs, traditions, as well as the implementation of its policies and interference through executive and judicial machinery.
7. **Wide coverage:** The scope of industrial relations is wide enough to cover a vast territory comprising of grievances, disciplinary measures, ethics, standing orders, collective bargaining, participatory schemes, dispute settlement mechanisms, etc.
8. **Interactive and consultative in nature:** Industrial relations includes individual relations and joint consultation between labour, management, unions, the state

etc. It pinpoints the importance of compromise and accommodation in place of conflict and controversy in resolving disputes between labour and management.

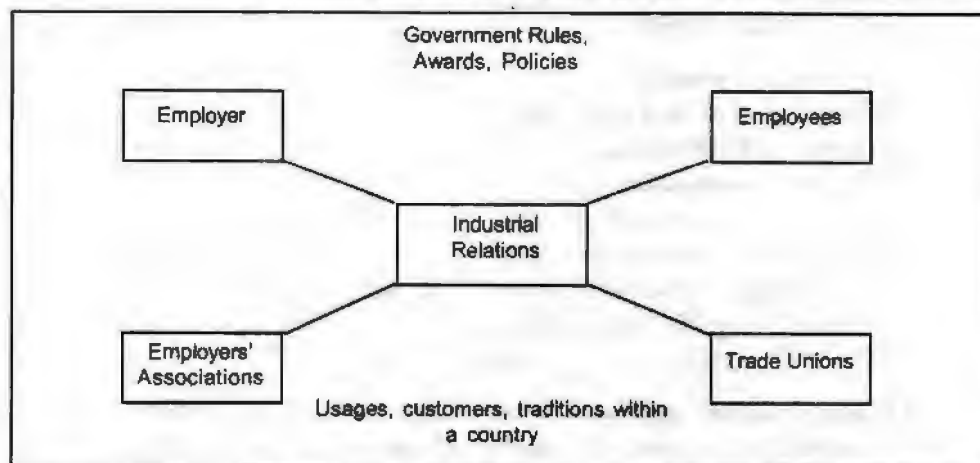


Figure 18: Industrial Relations: Major Influences

Objectives of Industrial Relations

The fundamental objective of industrial relations is to maintain sound relations between employees and employers. The other objectives can be drawn from this objective.

They are:

1. To enhance the economic status of the worker;
2. To regulate the production by minimising industrial conflicts through state control;
3. To socialise industries by making the government an employer;
4. To provide an opportunity to the workers to have a say in the management and decision-making;
5. To improve workers' strength with a view to solve their problems through mutual negotiations and consultation with the management;
6. To encourage and develop trade unions in order to improve the workers' collective strength;
7. To avoid industrial conflicts and their consequences; and
8. To extend and maintain industrial democracy.

Approaches to Industrial Relations

Industrial relations are the result of several socio-economic, psychological and political factors. Various approaches have, therefore, been used to explain the multidimensional nature of industrial relations:

- **Psychological approach:** According to psychologists, the problems of industrial relations are attributable to the differences in the perceptions of labour and management. Both parties tend to look at factors influencing their relations – i.e. wages, benefits, working conditions etc. – in different ways. Dissatisfaction with pay, benefits, services, conditions of work compel workers to turn aggressive and resort to strikes, gheraos, etc. Employers adopt rigid postures and draw the shutters down when they find the regulatory framework to be restrictive, workers to be highly demanding and market forces to be unmanageable. Apart from

economic issues, motives such as the need to gain prestige, power, status, recognition also compel people to go in different directions, sacrificing the broader organisational interests.

- **Sociological approach:** A number of sociological factors such as the value system, customs, and traditions-affect the relations between labour and management. Problems such as urban congestion, chronic shortage of affordable dwelling units, convenient transportation system, pollution, disintegration of joint family system, etc., add misery to the lives of workers. Accepted societal norms, traditions and customs are pushed to the wall in such a scenario. Culture pollution sets in, rubbing workers the wrong way. Such sociological changes impact industrial life significantly, forcing parties to assess, analyse and find solutions to conflictful situations on a continuous basis.
- **Human relations approach:** According to the human relations approach, individuals are motivated by a variety of social and psychological factors, not just earnings. Human behaviour is influenced by feelings, sentiments, and attitudes. Informal work groups play an important role in shaping the attitudes and performance of individual workers. People do not like the idea of being treated as machines. To reduce friction and conflict in the workplace, managers need to possess effective social skills. They must explain why a particular job is important, allow workers to participate in work processes fully, encourage work groups to flourish and try their best to keep workers happy. Economic and non-economic rewards must be used to meet the physiological and psychological requirements of workers from time to time. Every attempt must be made to integrate the individual objectives with overall organisational objectives to avoid conflict and controversy in industrial life.
- **Giri approach:** According to V.V. Giri (Former President of India) collective bargaining and joint negotiations be used to settle disputes between labour and management. Outside interference must be avoided at all costs while resolving differences between the parties. Trade unions should use voluntary arbitration in place of compulsory adjudication to resolve disputes. Giri observed that 'there should be a bipartite machinery in every industry and every unit of the industry to settle differences from time to time with active encouragement of government. Outside interference should not encroach upon industrial peace'.
- **Gandhian approach:** Gandhi ji accepted the worker's right to strike but cautioned that this right be exercised in just cause and in a peaceful, non-violent fashion. The trusteeship theory advocated by him highlights the fact that wealth belongs to society and not to the owners of an enterprise. Owners are there to serve the interests of society. If they fail to pay minimum wages to workers, workers must appeal to their conscience. If this does not produce results, they should resort to non-violent non cooperation (Satyagraha). Before adopting this strategy, workers must believe in their collective strength and note the crucial point that without their active cooperation, capitalists cannot achieve results. The capitalist, in his own self interest, is expected to hold industry in trust for the society, treating workers as partners and co-trustees in a progressive venture.

HRD Approach to Industrial Relations

As rightly pointed out by Ishwar Dayal, Human Resource Development involves (i) ways to better adjust the individual to his job and environment, (ii) the deepest involvement of an employee in various aspects of his work and (iii) the greatest concern

for enhancing the capabilities of the individual. The HRD approach recognises employees as the greatest assets in an organisation; believes that they can be developed to an unlimited extent with proper incentives, atmosphere and treatment. It is possible to integrate human needs with organisational requirements. If the manager has a caring, helpful attitude towards employees and creates a healthy work environment (characterised by values of openness, enthusiasm, trust, mutuality and collaboration) employees are willing to give of their best to the organisation. So managers, in their own self interest, must create a motivating climate so that employees commit themselves to assigned tasks wholeheartedly. The underlying assumptions of industrial relations and HRD may best be summarised thus:

Table 48: Basic Assumptions of Industrial Relations and HRD

Industrial Relations		HRD
Employee-employer relations are contractual and enveloped by economic factors	Philosophy	Employer-employee relations should be based on trust, understanding and openness
The emphasis is on extrinsic rewards	Rewards	Intrinsic rewards spur people to superior performance
The focus is not on developing the employee.	Focus	Develop the employee through HRD initiatives: caring, counselling, mentoring, helping, coaching.
Follow the code book and put out the fires as quickly as you can	Orientation	Preventive, collaborative approach where relations matter most and not rules.
Pluralist	Nature of Relations	Unitarist
Managerial task vis-a-vis labour	Monitoring	Nurturing, caring, helpful
Institutionalised, unhealthy and is at the core of industrial relations, reach temporary truces culture.	Conflict	Conflict could be functional, stimulating and healthy if used properly; manage climate and
Restricted flow	Communication	Increased flow
Division of labour	Job design	Teamwork
Negotiation	Managerial skills	Facilitation

The manager in the HRD approach wears many hats, i.e., of a developer, counsellor, coach, mentor and problem-solver. He tries to integrate work, and trains and educates people, acts as a change agent and provides a conducive, healthy work environment. The traditional roles as a policeman, supervisor, appraiser, legal advisor and fire-fighter as evidenced in companies characterised by troubled industrial relations, thus undergo a radical transformation where the labour-management relations are built around mutual trust, understanding and cooperation.

HRD interventions such as work redesign and job enrichment could be used effectively to make jobs more interesting to employees. To avoid role conflicts, role analysis could be taken up, followed by a clear-cut elaboration of what the employee is supposed to do. To build cooperation among employees and between labour and management, team-building exercises could be undertaken. To tackle trouble makers, counselling and coaching sessions could be arranged from time to time. A climate of open, transparent communication would put out fires quite easily. Training and feedback sessions would help solve many other industrial relations problems smoothly. To overcome some of the troubling IR issues, managers should focus on aspects like:

- Clarify goals
- Reward performance

- Empower people at all levels
- Treat people properly
- Follow two-way communication channels
- Settle issues in an atmosphere of trust and understanding.

Essential Conditions for Sound Industrial Relations

The establishment of good industrial relations depends on the constructive attitude on the part of both management and the union. The constructive attitude in its turn depends on all the basic policies and procedures laid down in any organisation for the promotion of healthy industrial relations. It depends on the ability of the employers and trade unions to deal with their mutual problems freely and independently with responsibility. They should put their faith in collective bargaining rather than in collective action. For better industrial relations, it is also necessary that fair labour standards are laid down, a feeling of equality should be prevalent, with which the management should enter into collective bargaining with the labour, and there should be realisation on the part of management to promote workers' welfare. The existence of strong, independent, responsible, democratic trade unions, the promotion of collective bargaining – a fair and independent machinery for the peaceful settlement of industrial disputes, the existence of good human relations, and lack of any kind of discrimination are certainly the essentials for a healthy industrial relations' situation.

It is not easy to promote and maintain sound industrial relations. Certain conditions should exist for the maintenance of harmonious industrial relations. They are:

- i. **Existence of strong, well organised and democratic employees' unions :** Industrial relations will be sound only when the bargaining power of the employees' unions is equal to that of management. A strong trade union can protect the employees' interest relating to wages, benefits, job security, etc.
- ii. **Existence of sound and organised employers' unions:** These associations are helpful for the promotion and maintenance of uniform personnel policies among various organisations and to protect the interests of weak employers.
- iii. **Spirit of collective bargaining and willingness to resort to voluntary negotiations:** The relationship between an employee and the employer will be congenial only when the differences between them are settled through mutual negotiation and consultation rather than through the intervention of a third party. Collective bargaining is a process through which employee issues are settled through mutual discussions and negotiations, through a 'give and take' approach. If the issues are not settled through collective bargaining, they should be referred to voluntary arbitration but not to adjudication, in order to maintain congenial relations.
- iv. **Maintenance of industrial peace:** Permanent industrial peace in an organisation can be ensured through the following measures:
 - a. Establish machinery for prevention and settlement of industrial disputes. This includes legislative and non-legislative measures. Preventive measures include works committees, standing orders, welfare officers, shop councils, joint councils and joint management councils. Settlement methods include voluntary arbitration, conciliation and adjudication.
 - b. Government should be provided with requisite authority for settling the industrial disputes wherever necessary.

- c. Provision for the bipartite and tripartite committees in order to evolve personnel policies, code of conduct, code of discipline, etc.
- d. Provision for the various committees to implement and evaluate the collective bargaining agreements, court orders and judgements, awards of voluntary arbitration, etc.

Significance of Industrial Relations

Good Industrial Relations implies peaceful, harmonious, fruitful relations between labour and management. In such a situation, both labour and management realise their mutual obligations toward each other and resort to actions that promote harmony and understanding the following benefits accrue from such a productive relationship:

- **Industrial peace:** Unilateral actions disappear; both parties consult each other before initiating any action; they primarily focus on goals that are realisable without overstepping their territories. This leads to peaceful co-existence.
- **Industrial democracy:** The process of joint consultation paves the way for industrial democracy. This motivates workers to give of their best to the organisation and share the fruits of progress jointly with management.
- **Improved productivity:** Cordial relations between labour and management ensures uninterrupted production and single-minded pursuit of pre-determined goals. It becomes easy to realise even difficult targets in such an atmosphere. The excellent track record of Sundaram Fasteners (A TVS Group company which won the prestigious GM award for the fourth successive year in 1999 as a quality supplier of radiator caps) is worth mentioning here. It is known for zero breakdowns, zero accidents and zero defects. Not a single day has so far been lost due to a strike in the company. It is the first company to get the ISO certification (in 1990). The per-employee productivity is comparable to the best in the world. One study rates the company among the 20 most competitive companies in Asia. (*The Week*, May 28, 2000). Another group company, Sundaram Clayton received the Deming prize in 1998 –making it the only Indian company that has ever received the award outside Japan. The 45-year-old CEO, Yenu Sreenivasan hires every worker for both companies but allows managers to be appointed by his chief operating officers. During 1998-99 he has taken a 10 per cent cut in his salary in order to avoid having to layoff workers! (*Business Today*, Nov 22- 6 Dec, 1998).
- **Benefits to workers:** Cordial labour-management relations ensure higher productivity. The company would be in a position to offer fair economic and non-economic incentives to its employees. This, in turn, would spur people to realise targets and get ahead productively. It becomes easy for management to initiate needed changes quickly, in line with market demands and improve the lot of workers continuously. Sound industrial relations enable a company to take full advantage of technological advancements and pass on some of these benefits to workers as well.

Industrial Conflict

Relations between labour and management do not proceed along the lines envisaged above for a variety of reasons. Divergent views, opposite stands, contrasting demands characterise labour-management relations. Employees want more jobs, management wants to reduce staff, raise productivity and save on all fronts. Management wants to computerise and introduce latest technology gradually in order to reduce the

dependence on manual force. Labour and unions cannot afford to let this happen by keeping silence. Labour wants a fair share of productivity gains. Management wants to demonstrate those gains as fruits of risky investments. The argument goes on and on. However, the survival of both partners in the industrial activity is dependent on how appreciatively they look at each other's concerns and get along without rubbing each other the wrong way.

Industrial conflicts constitute militant and organised protests against existing industrial conditions. They are symptoms of industrial unrest in the same way that boils are a symptom of a disordered body (Patterson). The Industrial Disputes Act, 1947, defines an industrial dispute as "any dispute or difference between employees and employees, or between employees and employers, or between employers and employers, which is connected with the employment, or non-employment, or the terms of employment or with the conditions of work of any person". Thus, the term is characterised by the following factors:

- There should be a difference or dispute. For example, labour demands something, management does not grant the same.
- The dispute could be between employer-employer, employee-employee or employer-employee.
- The dispute must pertain to some work-related issue.
- Dispute between one or two workmen and their employers is not an industrial dispute; instead, it must be raised by a group or class of workmen.

Forms of Industrial Disputes

The various forms of industrial disputes may be stated thus:

Strikes

A strike is a spontaneous and concerted withdrawal of labour from production temporarily. It is a collective stoppage of work by a group of workers for pressuring their employers to accept certain demands. The Industrial Disputes Act 1947 has defined a strike as "an assertion of work by a body of persons" employed in an industry acting in combination, or a concerted refusal or a refusal under a common understanding of any number of persons who are or have been so employed to continue to work or to accept employment. Strikes are of several types:

- a. **Sympathetic strike:** When a strike is undertaken to show sympathy with workers in other industries, it is called a sympathetic strike.
- b. **General strike:** It is a strike by all or most of the unions in a industry or a region.
- c. **Unofficial strike:** It is a strike undertaken without the consent of the unions.
- d. **Sectional strike:** It is the refusal of a section of a given class of workers to perform their normal duties.
- e. **Bumper strike:** It is a strike when the unions plan to paralyse the industry, firm by firm, the order being chosen by the union. Such strikes are supported by the contributions of those who are still at work.
- f. **Sit down strike (also called stay-in, tool down, pen down strike):** It is a strike in which workers cease to perform their duties but do not leave the place of work.

- g. **Slow-down strike:** Known as a 'go-slow' tactic, the workers do not stop working but put breaks to the normal way of doing things.
- h. **Lightning strike:** Out of provocation, workers may go on strike without notice or at very short notice. There is an element of surprise in such wildcat strikes.
- i. **Hunger strike:** To gain sympathy from the public and get noticed by the employer, workers may decide to forego food for a specified period. Small batches of workers may also go on a relay hunger strike in a sequential order. Such non-violent protests generally bring moral pressure on employers to iron out the differences with labour quickly.

Lock-outs

Lock-out is the counterpart of strike. It is the weapon available to the employer to close down the factory till the workers agree to resume work on the conditions laid down by the employer. The Industrial Disputes Act of 1947 defined it as "the closing of a place of an employment, or the suspension of work or the refusal of an employer to continue to employ any number of persons employed by him". If it is impossible to meet the demands of the workers, employers may decide to go for lock-out. An employer may also pull down the shutters so as to bring psychological pressure on the workers to agree to his conditions or face closure of the unit.

Gherao

Gherao means to surround. In this method, a group of workers initiate collective action aimed at preventing members of the management from leaving the office. This can happen outside the factory premises too. The persons who are 'gheraoes' are not allowed to move for a long time, sometimes even without food or water. The National Commission on Labour, while refusing to accept it as a form of industrial protest, opined that gheraos tend to inflict physical duress (as against economic pressure) on the persons affected and endanger not only industrial harmony but also create problems of law and order.

Picketing and Boycott

When picketing, workers often carry/display signs, banners and placards (in connection with the dispute), prevent others from entering the place of work and persuade others to join the strike.

Boycott aims at disrupting the normal functioning of an enterprise. Through forceful appeals and negative behavioural acts, striking workers prevent others from entering the place of work and persuade them not to cooperate with the employer.

Causes of Industrial Disputes

Some of the prominent causes of industrial disputes may be listed thus:

- a. **Employment:** The list here includes disputes over wages, allowances, bonus, benefits, working conditions, unjust dismissals, retrenchment of workers, methods of job evaluation, changes in methods of production, non-implementation of awards of tribunals, etc. The National Commission on Labour remarked "though on a majority of occasions industrial disputes were based on claims pertaining to the terms and conditions of employment, sometimes economic issues of a general character dominated and, on occasions, purely political motives".

- b. **Nationalisation:** Workers protested against the introduction of rationalisation, automation, computerisation (e.g., Bank unions oppose this move even now) on various occasions, fearing large scale retrenchment.
- c. **Administration-related causes:** These pertain to ill-treatment, undeserved punishment, verbal abuse, physical assaults, etc.
- d. **Recognition:** Disputes arose when employers failed to recognise a union as a bargaining agent.
- e. **Sympathetic strikes:** Workers struck work in one plant/industry when they wanted to exhibit their solidarity with striking workers from another plant or industry.
- f. **Psychological/social causes:** On occasion, family, friends, community, environmental pressures and concerns also instigated the workers to take to the streets.
- g. **Institutional causes:** Disputes arose on account of institutional factors such as: recognition of unions, membership of unions, scope of collective bargaining, unfair practices.
- h. **Political causes:** Political leaders have used unions as powerful weapons to build tensions inside a plant/industry with a view to satisfy their own private ends on a number of occasions, especially in unionised places like Mumbai, Ahmedabad, Kanpur, Kolkata, etc.

Table 49: Percentage Distribution of Disputes by Causes

Cause Group	2000	2001	2002
1. Wages and allowances	20.6	26.9	21.3
2. Personnel	11.5	12.0	14.1
3. Indiscipline	26.1	25.0	29.9
4. Bonus	9.0	7.1	6.7
5. Charter of Demands	13.5	11.0	10.5

Source: Pocket Book of Labour Statistics, 2003-04.

Industrial Disputes in India

Industrial dispute in the form of a strike or a lock-out, is a double-edged sword. It means stoppage of work, causing production loss to the employer. The worker, at the same time, is pushed to the wall as he loses his earnings. Disputes were not widespread in India before the First World War (1914-1918). Workers were largely illiterates, had no organising powers and clearly lacked strong union leaders who could fight on their behalf and deliver the goods. A timeline on major industrial unrest/upheavals in India may be provided thus:

I 1918 – 1920

- Many strikes during this period. People were ever eager to fight for their democratic rights.
- 1919, more than a lakh workers of Bombay Cotton Textile Mills went on strike.
- 1920, more than 200 strikes affecting near 1.5 lakh workers.

II 1921 – 1928

- After the first world war, employers were keen to introduce rationalisation to cut wages with a view to cope with sluggish demand conditions.
- TISCO shut down; E.I. Railway strikes and strikes in Bombay Cotton Textile Mills were common; increased tendency to use 'strikes' as a powerful weapon.
- Binny and Co. affected by strike/lockout. Buckingham and Carnatic mills closed down.
- Formation of ILO in 1919; AITUC in 1920; Trade Union Act in 1926; Industrial Disputes Act 1929; a conciliation machinery was provided for setting disputes peacefully.

III 1929 – 1939

- Depression hit the industry sadly. 1928, 1929 – intense industrial unrest.
- 1930-1937 relatively peaceful, barring short-lived strikes in Bombay Cotton Mills and a general strike in Mumbai.
- 1937-1939 unrest increased. The Congress Party's manifesto raised workers' hopes. In 1937 and 1938 the number of strikes was 379 and 399 respectively.
- 1939, 406 disputes involving nearly 5 lakh workers. The Second World War (1939-1945) worsened the situation further.

IV 1939 – 1945

- Sep 1939, war broke out; inflation and rising prices, high cost of living, low purchasing power of workers.
- Disputes rose from 322 in 1940 to 694 in 1942. Between 1939-1945, 4000 strikes led to a loss of 31.5 million man-days.
- A large number of strikes revolved around the issue of dearness allowance.
- In 1940, 1,75,000 Bombay textile workers struck work for over 40 days.
- Defence of India Rules framed, paving the way for compulsory adjudication of disputes and prohibiting strikes during the court proceedings. 1942-1946 was relatively free from large scale strikes/lockouts.

V 1940 – 1947

- Between 1940-1947, a total of 7009 strikes took place affecting cotton, woolen and silk mills badly, followed by unrest in engineering, railways, mining, etc.
- Demands for higher wages and bonus were the main causes of disputes. Bombay (now Mumbai) was the most troublesome city (542 strikes) followed by the states of Bengal, MP and UP during this period.

VI Post Independence 1947 – 1974

- Tall promises made by Congress Party raised hopes among the workers, cost of living went up steeply, the fear of retrenchment was uppermost in the minds of workers, communists influenced the thinking of working class under the circumstances.

- Intense labour unrest in Railways, P & T in 1949, textile and jute mills suffered most. Code of Discipline was evolved in 1958.
- Gheraos, Bandhs, Strikes were quite common over rising prices and growing retrenchment in recession-hit industries.

VII Post Emergency 1975 – 1990

- During the Emergency period (1975-1977) the number of disputes fell sharply. However, during this period lock-outs affected the industrial relations scene badly.
- The suppressed feelings of helplessness and frustration found outlet after the emergency was lifted. Datta Samant emerged as a strong trade union leader in Bombay (now Mumbai). In Jan 1982, the largest textile strike involving 2.5 lakh workers from over 60 mills was organised causing a loss of over Rs 500 crores to workers and mill owners. Production loss was estimated at over Rs 2,000 crores. Several mills were closed. The strike had a sad ending.

VIII Post Liberalisation

- After liberalisation (1990 onwards), the clout of unions was reduced drastically. Strikes organised by Rajan Nair, Chand Bibi, Dhunji Neterwala did not yield major benefits to workers. The Datta Samant-led agitation in Premier Automobiles Ltd failed miserably.

Table 50: Disputes by Strikes and Lockouts

Strikes/Lockouts	2000	2001	2002
Strikes (Number)	426	372	295
Workers involved ('000)	1044	489	900
Man-days cost ('000)	11959	5563	9665
Lockouts (Number)	345	302	284
Workers involved ('000)	374	199	199
Man-days cost ('000)	16804	18204	16921

Source: Pocket Book of Labour Statistics, 2003-04

- A steady reduction in the number of disputes is discernible. From 1810 strikes recorded in 1991, the figure came down to 295 in 2002. The number of mandays lost due to strikes has also fallen steadily.
- The trends indicate a shift in balance of power since 1993. The man-day loss figures suggest the management flexing their muscles, locking out units rather than the workmen forcing the hand of management through strike action. In major cities like Calcutta, Mumbai, Chennai, Delhi, Bangalore trade unions are just fighting for survival now.
- The militancy which was almost synonymous with labour unions in the past has, by and large, declined now. The Shiv Sena led Bharatiya Kamgar Sena was more pragmatic and was quick to understand the shifting trends. In the Mumbai and Pune belt it enjoys membership of over 2.5 lakh workers. Mill owners are also happy to deal with such unions which give importance to plant level factors and conduct the negotiations in a give-and-take manner.

Table 51: Industrial Disputes Resulting in Work Stoppages

	1999	2000	2001	2002
No. of Disputes	927	771	674	579
No. of Workers Involved (1000)	1311	1418	688	1079
Mandays cost ('000)	26787	28763	23787	-26586
Wages Cost (Rs in crores)	(403)	(319)	(284)	(227)
Value of Production Loss (Rs in crores)	670.37	1162.34	830.21	682.96
	(352)	(279)	(254)	(197)

Source: Pocket book of Labour Statistics, 2003-04.

Table 52: Trends in Recent Years: Important Data Regarding Disputes

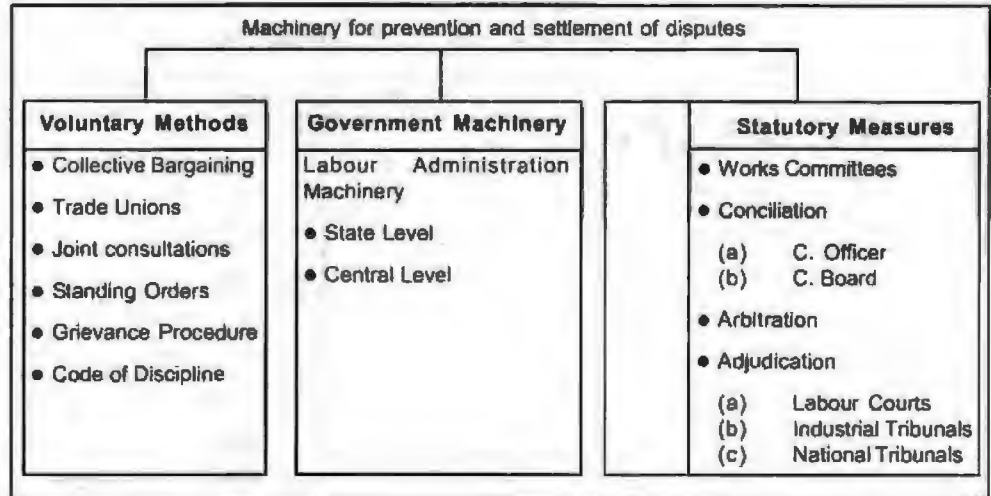
	2000	2001	2002
Disputes by Sector (Number)			
Public	125	139	63
Private	646	535	516
Disputes by Strikes/Lockouts (Number)			
Strikes	426	372	295
Lockouts	345	302	264
Mandays Lost in Disputes (by states in '000)			
Andhra	-	1498	1718
Karnataka	-	1005	322
Kerala	-	945	6961
Maharashtra	-	742	633
Rajasthan	-	1259	1308
Tamilnadu	-	1842	1563
West Bengal	-	14847	12911
Disputes by Causes (Percentage)			
Wages and allowances	20.6	26.9	21.3
Personnel	11.5	12.0	14.1
Indiscipline	26.1	25.9	29.9
Charter of Demands	13.5	11.0	10.5
Bonus	9.0	7.1	6.7
Disputes by Duration (Percentage)			
10-20 days	14.5	18.0	16.5
20-30 days	6.8	6.8	8.6
More than 30 days	39.7	34.4	37.0

- (v) Broadly speaking the states of AP, Karnataka, Kerala, Maharashtra, Rajasthan and West Bengal together accounted for over 75 per cent of the total number of disputes.
- (vi) Disputes in manufacturing industries were quite high. Thirty to forty per cent of disputes arose in railways, textiles, coal, docks and ports, insurance, banking and plantations.
- (vii) In public sector disputes were frequent in steel, P & T, railways, ports, LIC, Indian Airlines and fertilizer units.

- (viii) More than half of disputes (30%) arose on account of income factors (wages, allowances, bonus) followed by causes relating to indiscipline, personnel and charter of demands.
- (ix) Layoffs were relatively high in Andhra Pradesh, Gujarat, UP, Maharashtra, Kerala, Karnataka and Rajasthan when compared to other states.

Industrial Disputes: Preventive Machinery

The methods for prevention of industrial disputes are explained below:



Trade Unions

Strong trade unions help prevent industrial disputes. They can bargain with employers effectively and seek quick redressal of grievances. Industrial relations will be sound only when the bargaining power of the employees' union is equal to that of management. A strong union can protect the employees' interest relating to wages, benefits, job security, etc.

Joint Consultations

To prevent industrial disputes, two ways of joint consultations are adopted – Works committees and Joint management councils.

A. Works Committees

As per the provisions of the Industrial Disputes Act, 1947, works committees have to be set up in all those industrial units which employ 100 or more persons and are composed of an equal number of employers' and employees' representatives. The committees are given the responsibility of removing the causes of friction between labour and management in the day-to-day functioning of a unit. A works committee is a purely consultative body and not a negotiating body. The committee offers :

- Greater participation to worker in day-to-day affairs.
- Ensures close mutual interaction between labour and management.
- Generates a cooperative atmosphere for negotiations between the two parties.
- Opens the door for unions to have a clear view of what is going on within the unit.
- Strengthens the spirit of voluntary settlement of disputes.

A number of issues come under the purview of works committees like wages, benefits, bonus, hours of work, terms and conditions of employment, welfare measures, training, transfers, etc.

The Tata Iron and Steel Company (TISCO, Jamshedpur) was the first to create a works committee way back in 1920. Till the end of Second World War, employers have not realised the importance of works committees and as a result, very few works committees came into existence. The Industrial Disputes Act, 1947, legalised the establishment of works committees at the plant level.

Though a large number of committees were established in the central sphere, only 530 committees were operational at the end of 1987 (in 1952, 2075 works committees were in existence!).

Works committees in India did not succeed on account of several reasons. The scope and functions of these committees were not clearly defined. The advisory nature of the committee did not help matters either. The committee, in the absence of legal powers, could not enforce its own decisions. Multiple unions had their representatives in the same committee at the plant level. This had only escalated tensions among members. Often, employers used these committees (filled with their own 'yes' men) to fight workers' associations. To complicate matters further, unions did not welcome the formation of these committees fearing dilution of their power. Unions looked upon these as their rivals. Many works committees do not function at all, for they exist only on paper. They do not meet at regular intervals and do not discuss matters of real importance.

According to the National Commission on Labour (1969) the advisory nature of works committees, the recommendations, vagueness regarding their exact scope, their functions, inter-union rivalries, union opposition and reluctance of employees to utilise such media have rendered works committees ineffective.

B. Joint Management Councils (JMCs)

In the Industrial Policy Resolution 1956, the need for joint management councils consisting of representatives of management, technicians and workers was emphasised. Management must supply facts regarding the working of a unit and the council discusses various matters across the table and recommends steps for improving efficiency.

The main features of the scheme are given below:

- The scheme is voluntary, not obligatory.
- The JMC should consist of equal numbers of representatives of workers and employers (minimum 6 and maximum 12).
- JMCs should look after three areas: (i) information sharing (ii) consultative and (iii) administrative. Matters relating to welfare, safety, training, holiday schedules, formulation of standing orders, etc., all come under the above three categories.
- Decisions of the JMC should be unanimous and should be implemented without any delay.
- The JMCs should not encroach on the jurisdiction of works committees.
- The JMC members should be given proper training.
- Representation of workers to the JMCs should be based on nominations by the recognised union.

- Initially, JMCs should be constituted in a large number of public and private sector units being over 500 or more workers where there is a strong trade union, and where the labour-management relations are sound.

Originally the idea was to be implemented in over 150 units, but at present about 80 are operating in public sector units such as Hindustan Insecticides, HMT, Indian Airlines, Air India, etc. and in a large number of private sector units such as TISCO, Arvind mills, Modi Spinners and Weaving Mills, Travancore Rubber works, etc. The experiment has not succeeded in India. As one expert commented, "the works committees and the joint councils have failed . . . It is living in a fool's paradise to believe that labour will be an active partner in management". Factors such as lack of interest on the part of workers, union rivalries, unfavourable management attitudes, etc., are mainly responsible for the unsatisfactory performance of JMCs in India.

Standing Orders

The term 'Standing orders' refers to the rules and regulations which govern the conditions of employment of workers. They specify the duties and responsibilities of both employers and employees. Through standing orders, the conditions of employment are sought to be regularised, paving the way for industrial peace and harmony. The Industrial Employment (standing orders) Act of 1946 provides for the framing of standing orders in all industrial undertakings employing 100 or more workers. As per the provisions of the Act, employers have to formulate standing orders in consultation with workers and submit to a certifying officer. The matters to be highlighted therein are: (a) Classification of employees, (b) Hours of work, holidays, paydays, wage rates, (c) Shift working, (d) Attendance and late coming, (e) Leave rules, (f) Temporary stoppages of work, (g) Termination, suspension and disciplinary actions, etc.

The certified copies of the standing orders must be displayed prominently inside the undertaking. Once certified, the standing orders are binding on the employer and the employees. Violation of conditions mentioned therein invite penalties. The Labour Commissioner (Deputy Labour Commissioner, Regional Labour Commissioner) exercises the powers of certifying officer and in that capacity has all the powers of a civil court. The Act has been amended a number of times, the latest in 1982. The 1982 Act provides for the payment of a subsistence allowance to workers who are placed under suspension.

Grievance Procedure

A grievance may be defined as "any real or imagined feeling or personal injustice which an employee has concerning his employment relationship". Grievances have to be redressed promptly. Any attempt to suppress them may backfire and may find expression in violent forms later on. A model grievance procedure, as suggested by the Indian Labour Conference, 1958, has more or less been widely accepted now in India. Under this model, both the employer and the workers are expected to follow certain steps so as to put out the frictions between them. Another method commonly used to prevent industrial disputes – Workers' Participation in Management – has already been explained previously.

Code of Discipline

Over the years, several legislative measures have been adopted in India to promote discipline and harmony between employees and employers. Sad to relate, the results have not been very encouraging. As a remedy, the Second Five Year Plan has suggested that both employees and employers must formulate and abide by a voluntary Code of

Discipline. In pursuance of this suggestion, the Fifteenth Indian Labour Conference suggested a Code of Discipline in 1957. The Central National Labour Organisations (INTUC, AITUC, HMS, UTUC) and Employers' Associations (EFI, AIOIE, AIMO) have agreed to enforce the code with effect from June 1, 1958. The code aims at preventing disputes by providing for voluntary and mutual settlement of disputes through negotiations without the interference of an outside agency. The principles regulating the conduct of the employer and the employee, as provided for in the code, may be listed thus:

Obligations of Both Parties

- It restrains both employers and employees from unilateral action. Both parties must recognise each other's rights and obligations and settle disputes through the existing machinery for the settlement of disputes.
- The parties should not indulge in strikes and lock-outs without notice or without exploring possibilities to resolve disputes through negotiations.
- Neither party will resort to coercion, intimidation, victimisation or litigation or adopt unfair labour practices (e.g., go slow, sit down strike, etc.).
- Both employers and unions will educate workers regarding their obligations and agree to follow a mutually agreed grievance procedure.

Obligations of Employer

Management agrees not to increase workload without prior agreement with workers, discourages unfair labour practices, take prompt action to redress grievances, displays the code in prominent places, agrees to implement all awards and agreements, take disciplinary action against officers/members who instigate workers and agrees to recognise a representative union.

Obligations of Unions

Unions agree not to indulge in physical duress, not to permit employees to do union work during working hours, discourage negligence of duty, careless operations, damage to property, insubordination and take action against office bearers who work against the spirit of the code.

The code does not have any legal sanction. However, the central employers and workers' organisations agree to impose certain moral sanctions against erring members such as seeking explanations for infringement of provisions, criticizing them for not following the code, give wide publicity to the fact that a particular unit is working against the code, etc.

Evaluation

At present the code has been accepted by about 200 individual employers and about 170 trade unions, in addition to the support extended by the central organisations of workers and employers. Barring railways, Port and Docks and undertakings under the Ministry of Defence, the code is applicable to all public sector units. The LIC, SBI and RBI have also accepted it. The focus of the code in the early years was on compliance, i.e., asking the parties to abide by certain basic provisions and discouraging all violations in tripartite committees. The Third Plan felt that the code had a healthy influence on employer-employees relationship and definitively had a restraining and sobering impact on both the parties. The National Commission on Labour (NCL), however, highlighted certain black spots:

- The code failed because the parties did not have a genuine desire to support it wholeheartedly.
- Conflicts between the code and the law.
- Union rivalries, inflationary pressures, the state of indiscipline in the body politic and other reasons beyond the control of employer, etc.

The remedy the situation, NCL wanted the Government to give legal shape to certain important provisions such as:

- Recognising unions as bargaining agents.
- Setting up a grievance machinery.
- Prohibiting strikes/lockouts without notice.
- Imposing penalties for unfair labour practices.
- Providing for voluntary arbitration.

Industrial Disputes: Settlement Machinery

The Industrial Disputes Act, 1947, provides a legalistic way of setting disputes, where the employer and the unions fail to reach an agreement bilaterally. The provisions of this judicial machinery may be listed thus:

Conciliation

Conciliation is a process by which representatives of workers and employers are brought together before a third person or a group of persons with a view to persuade them to come to a mutually satisfying agreement. The objective of this method is to settle disputes quickly and prevent prolonged work stoppages if they have already occurred. The essential hallmarks of this approach are:

- The conciliator tries to bridge the gulf between the parties, if possible.
- If he does not fully succeed, he tries to reduce the differences to the extent possible. He acts as a conduit through which messages are passed from one side to the other, coupled with his own interpretations facilitating the understanding of disputing parties. To the extent possible, he tries to 'clear the fog' surrounding the issue.
- He persuades parties to take a fresh look at the whole issue, through a process of give and take and explore the possibility of reaching a consensus.
- He only advances possible lines of solution for consideration by the disputants. He never tries to force the parties to accept his viewpoint. He never offers judgement on the issues. If parties feel that the suggestions offered by the conciliator are acceptable, they may strike a deal.
- The conciliator need not follow the same path in each case. The process of conciliation, therefore, has a certain amount of flexibility and informality built around it.

The conciliation machinery in India consists of the following:

Conciliation Officer

According to the Industrial Disputes Act, 1947, the Central and State governments can appoint a conciliation officer to mediate in all disputes brought to his notice. The

officer enjoys the powers of a civil court. He can call and witness disputing parties on oath and interpret the facts of the case. He is expected to give judgement within 14 days of the commencement of the conciliation proceedings. His judgement is binding on all the parties to the dispute. The conciliation officer has a lot of discretion over the ways and means to be followed to bring about a settlement between the disputants. He "may do all such things as he thinks fit for the purpose of inducing the parties to come to a fair and amicable settlement of disputes".

Board of Conciliation

When the conciliation officer fails to resolve the disputes between the parties, the government can appoint a Board of Conciliation. The Board of Conciliation is not a permanent institution like the conciliation officer. It is an adhoc, tripartite body having the powers of a civil court, created for a specific dispute. It consists of a Chairman and two or four other members nominated in equal numbers by the parties to the dispute. The Chairman who is appointed by the government should not be connected with the dispute or with any industry directly affected by such dispute. The board, it should be remembered, cannot admit a dispute voluntarily. It can act only when the dispute is referred to it by the Government. The board conducts conciliation proceedings in the same way as conducted by a conciliation officer. The board, however, is expected to submit its report within two months of the date on which the dispute was referred to it. The Boards of Conciliation are rarely constituted by the government these days. In actual practice, settling disputes through a conciliation officer was found to be more flexible when compared to the Board of Conciliation.

Court of Enquiry

In case the conciliation proceedings fail to resolve a dispute, a Court of Enquiry is constituted by the government to investigate the dispute and submit the report within six months. It is merely a fact finding body and its findings are not binding on the parties to the dispute.

How is the Conciliation Machinery Working?

The conciliation machinery has not proved its worth in the country so far. The reason is quite simple, very few cases are referred for conciliation. The few cases that are referred to it remain untenable as they fail to meet the legal stipulations. In some cases disputes are filed, only to be withdrawn later on. A large number of cases remain pending, as the disputing parties do not supply relevant information initially. The heavy work pressures of the officers also come in the way of clearing cases within the 14 days' time period. Conciliation, as pointed out by the National Commission on Labour, is only treated as a first hurdle by the parties, who prefer to go to the next stage without showing any interest to settle the case(s) quickly. As things stand now, both labour and management do not seem to repose their faith in the efficacy of the machinery created by the Government.

Voluntary Arbitration

When conciliation proceedings fail to settle the dispute, the conciliation officer may persuade the conflicting parties to voluntarily refer the dispute to a third party known as Arbitrator, appointed by the parties themselves. The arbitrator listens to the viewpoints of both parties and delivers an award or judgement on the dispute. He, however, does not enjoy judicial powers. The arbitrator submits his judgement on the dispute to the government. Thereafter, the government publishes the award within 30

days of its submission. The award becomes enforceable after 30 days of its publication. The arbitration award is binding on all the parties to the agreement and all other parties summoned to appear in the proceedings as parties to dispute. Before delivering the judgement, the arbitrator is expected to follow due procedure of giving notice to parties, giving a fair hearing, relying upon all available evidence and records and following the principles of natural justice.

Despite the best efforts of government to give a place of prominence to arbitration, it has not been a resounding success in India. The existing data on disputes settlement machinery shows that not even one per cent of the disputes reported were referred to arbitration. According to the National Commission on Labour, employers have not welcomed the step wholeheartedly. The main hurdles that came in the way were:

- Dearth of suitable arbitrators enjoying the confidence of disputing parties.
- The complicated procedure to be followed in voluntary arbitration.
- The payment of arbitration fees. Unions can seldom afford to pay such fees equally with management.
- The absence of recognised unions which could bind the workers to a common agreement.
- Easy availability of adjudication in case of failure of conciliation or negotiation.
- Absence of a legal remedy for appeal against the award given by the arbitrator.

With a view to promote voluntary arbitration, the Government has appointed a tripartite National Arbitration Promotion Board in July, 1967, consisting of representatives of employers, trade unions and the Government. The board keeps a panel of experts who could act as arbitrator. The board evaluates the progress of voluntary arbitration from time to time and advances suggestions for its improvement. It also tries to evolve principles, norms and procedures for the guidance of the arbitrator and the parties.

Adjudication

Adjudication or compulsory arbitration is the ultimate remedy for the settlement of disputes in India. Adjudication consists of settling disputes through the intervention of a third party appointed by the government. An industrial dispute can be referred to adjudication by the mutual consent of the disputing parties. The government can also refer a dispute to adjudication without the consent of the parties. The Industrial Disputes Act, 1947, provides a three-tier adjudication machinery – namely Labour Courts, Industrial Tribunals and National Tribunals – for the settlement of industrial disputes.

Under the provisions of the Act, Labour Courts and Industrial Tribunals can be constituted by both Central and State governments but the National Tribunals can be constituted by the Central government only.

Labour Court

The labour court consists of one independent person (called as presiding officer) who is or has been a judge of a High Court, or has been a district judge or additional district judge for not less than 3 years or has held any judicial office in India for not less than 7 years. The labour court deals with disputes relating to: (a) the propriety or legality of an order passed by employer under the standing orders; (b) the application and interpretation of standing orders; (c) discharge or dismissal of workers including reinstatement of, or grant of relief to wrongly dismissed persons; (d) withdrawal of any statutory concession or privilege; (e) illegality or otherwise of a strike or lockout; and (f) all matters except those reserved for industrial tribunals.

Industrial Tribunal

This is also a one-man adhoc body (presiding officer) appointed by the Government. It has a wider jurisdiction than the labour court. The Government concerned may appoint two assessors to advise the presiding officer in the proceedings. An industrial Tribunal can adjudicate on the following matters: (a) wages including the period and mode of payment; (b) compensatory and other allowances; (c) hours of work and rest periods; (d) leave with wages and holidays; (e) bonus, profit sharing, provident fund and gratuity; (f) shift working, otherwise than in accordance with the standing orders; (g) classification by grades; (h) rules of discipline; (i) rationalisation; (j) retrenchment and closure of establishments; and (k) any other matter that may be prescribed.

National Tribunal

This is the third one-man adjudicatory body to be appointed by the Central government to deal with disputes of national importance or issues which are likely to affect the industrial establishments in more than one state.

Appraisal

Adjudication has proved to be the most popular way of settling disputes in India. More than 90 per cent of the disputes are settled through this judicial process every year. However, the actual functioning of machinery is far from satisfactory because of (i) the delays involved and (ii) the inefficient implementation of the awards. Adjudication has been criticized thus: (a) on the procedural plane, adjudication is dilatory, expensive and discriminatory as the power of reference vests with the appropriate government. (b) on fundamentals, the system of adjudication has failed to bring about industrial peace, has prevented voluntary settlement of industrial disputes and growth of collective bargaining and has come in the way of healthy growth of trade unions. Quite a good number of disputes are reported to be pending with Labour Courts and Industrial Tribunals for over four or five years. The complicated procedures, red tapism, bureaucratic delays, the high cost of adjudication which only an employer can bear – have all come in the way of prompt settlement of disputes through the adjudication machinery.

Trade Unions – Introduction

Over the years, the contractual relationship between employer and employee has undergone several changes. The employer can no longer hire and fire employees. He cannot promote/demote someone based on personal preferences. He cannot afford to reprimand subordinates openly. He has to act within the boundaries set by collective agreements, unions, past practices and court decisions. Thus, managerial indiscretions, whimsical actions and one-sided exploitative acts have no place in the industrial relations scene – especially when we look at labour management relations (relations between employer-employee, employee-employee, employer-union, etc.) in large undertakings. Today the relationship between employer and employee is contractual and reciprocal. The rights and obligations of employers (frame rules for work, discipline employees who defy commands, etc.) are well documented in various pieces of labour legislation. The same cannot be said of the rights and obligations of employees which are somewhat imprecise. Stern action against problems such as late coming, sleeping, loitering, absenting during working hours, poor workmanship, non-compliance of rules, non-performance of tasks, ignoring superior's instructions would evoke strong protests from employees. Collective strength forces employees to sacrifice overall organisational

interest, turn the issue on hand into a tug-of-war, impairing labour management relations. It has become virtually impossible to exercise some of the rights of the employees such as right to strike, freedom to associate, right to appeal against injustice in recent years – thanks to the cost saving efforts of employers fighting unstoppable ongoing battles with competitive forces. Unions have found their base slipping badly on several counts, i.e., disinterestedness of workers in union-related work, depleting ranks, cash crunch owing to insufficient funds, shrinking political support, inability to sustain organised protest for a long time and more dangerously the threat of employers drawing shutters down, when pushed to the wall (like retrenchment, wage cuts, closures)! Lets look into these troubling issues more closely in the ensuing sections.

Definition

A trade union is a formal association of workers that promotes and protects the interests of its members through collective action. Under the Trade Union Act of 1926, the term is defined as any combination, whether temporary or permanent, formed primarily for the purpose of regulating the relations between workers and employers, or for imposing restrictive conditions on the conduct of any trade or business and includes any federation of two or more unions. Let us examine the definition in parts:

- Trade union is an association either of employees or employers or of independent workers.
- It is a relatively permanent formation of workers. It is not a temporary or casual combination of workers. It is formed on a continuous basis.
- It is formed for securing certain economic (like better wages, better working and living conditions) and social (such as educational, recreational, medical, respect for individual) benefits to members. Collective strength offers a sort of insurance cover to members to fight against irrational, arbitrary and illegal actions of employers. Members can share their feelings, exchange notes and fight the employer quite effectively whenever he goes off the track.
- It includes a federation of trade unions also.
- It emphasises joint, coordinated action and collective bargaining.

Objectives of Trade Unions

The failure of an individual worker to seek solutions to problems, while discharging his duties, personal as well as organisational, led workers to form a formal group which is identified at present as trade union. Thus, the main objective of any trade union is to protect the interest of workers/employees in the organisation. However, the workers' interest/welfare is a broad term in which various subjects - wages and salaries, working conditions, working hours, transfers, promotions, recruitment and classification, training, discipline, leave and holidays, dearness allowance, bonus, incentives, quarters, sanitation, employee relations, mechanisation, facilities to unions, welfare, employee relations and the like are included. Thus, a trade union is meant to conduct negotiations on behalf of the individual workers in respect of several items. However, trade unions specifically concentrate their attention to achieve the following objectives:

- a. **Wages and salaries:** The subject which drew the major attention of the trade unions is wages and salaries. Of course, this item may be related to policy matters. However, differences may arise in the process of their implementation. In the case of unorganised sector the trade union plays a crucial role in bargaining the pay scales.

- b. **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 water, refreshment, minimum working hours, leave and rest, holidays with pay, job satisfaction, social security benefits and other welfare measures.
- c. **Discipline:** Trade unions not only conduct negotiations in respect of the items with which their working conditions may be improved but also protect the workers from the clutches of management whenever workers become the victims of management's unilateral acts and disciplinary policies. This victimisation may take the form of penal transfers, suspensions, dismissals, etc. In such a situation the separated worker who is left in a helpless condition may approach the trade union. Ultimately the problem may be brought to the notice of management by the trade union and it explains about the injustice meted out to an individual worker and fights the management for justice. Thus, the victimised worker may be protected by the trade union.
- d. **Personnel policies:** Trade unions may fight against improper implementation of personnel policies in respect of recruitment, selection, promotions, transfers, training, etc.
- e. **Welfare:** As stated earlier, trade unions are meant for the welfare of workers. Trade union works as a guide, consulting authority and cooperates in overcoming the personnel problems of workers. It may bring to the notice of management, through collective bargaining meetings, the difficulties of workers in respect of sanitation, hospitals, quarters, schools and colleges for their children's cultural and social problems.
- f. **Employee-employer relations:** Harmonious relations between the employee and employer is a sine qua non for industrial peace. A trade union always strives for achieving this objective. However, the bureaucratic attitude and unilateral thinking of management may lead to conflicts in the organisation which ultimately disrupt the relations between the workers and management. Trade union, being the representative of all the workers, may carry out continuous negotiations with the management with a view to promoting industrial peace.
- g. **Negotiating machinery:** Negotiations include the proposals made by one party and the counter proposals of the other party. This process continues until the parties reach an agreement. Thus, negotiations are based on 'give and take' principle. Trade union being a party for negotiations, protects the interests of workers through collective bargaining. Thus, the trade union works as the negotiating machinery.
- h. **Safeguarding organisational health and the interest of the industry:** Organisational health can be diagnosed by methods evolved for grievance redressal and techniques adopted to reduce the rate of absenteeism and labour turnover and to improve the employee relations. Trade unions by their effective working may achieve employee satisfaction. Thus, trade unions help in reducing the rate of absenteeism, labour 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

The functions of trade unions can be divided into the following categories, viz.,:

- a. **Militant or protective or intra-mutual functions:** These functions include protecting the workers' interests, i.e., hike in wages, providing more benefits, job security, etc., through collective bargaining and direct action such as strikes, gheraos, etc.
- b. **Fraternal or extra-mural functions:** These functions include providing financial and non-financial assistance to workers during the periods of strikes and lockouts, extension of medical facilities during slackness and casualties, provision of education, recreation, recreational and housing facilities, provision of social and religious benefits, etc.
- c. **Political functions:** These functions include affiliating the union to a political party, helping the political party in enrolling members, collecting donations, seeking the help of political parties during the periods of strikes and lockouts.
- d. **Social functions:** These functions include carrying out social service activities, discharging social responsibilities through various sections of the society, like educating the customers.

Union Structure

Indian labour is represented by many different kinds of unions:

- **Craft unions:** A craft union is one whose members do one type of work, often using specialised skills and training. It is horizontal in character as its members belong to a single process or group of processes. A craft union enjoys strong bargaining power as its members possess specialised skills that cannot be easily replaced in case of a strike.
- **Industrial union:** An industrial union is one that includes many persons working in the same industry or company, regardless of jobs held. It is vertical in nature as it consists of all types of workers in an industry. An industrial union also enjoys strong bargaining strength as it consists of both skilled and unskilled workers. The employer may find it easy to negotiate with one union covering all workers rather than deal with a number of craft unions in case of a dispute.
- **General union:** This type of union consists of workers employed in different industries and crafts within a particular city or region. In this case, all workers are equal and there is no distinction between skilled and unskilled workers. There is convenience in negotiations as the employer need not bargain with so many splintered groups. Workers, of course, become part of a huge crowd and the interests of an important group may not be represented properly.

There could be plant level unions, in addition to the above, where all workers in a factory or establishment join hands to protect their interests.

- **Federations:** These are national level entities to which plant level unions, craft unions, industrial unions and general unions are affiliated. These are apex bodies, coordinating the affairs of various unions in their fold.

Growth of Trade Union Movement and Membership

Trade unions in India, as in most other countries, have been the natural outcome of the modern factory system. The development of trade unionism in India has a chequered history and a stormy career.

Early Period

Efforts towards organising the workers for their welfare were made, during the early period of industrial development by social workers, philanthropists and other religious leaders mostly on humanitarian grounds. The first Factories Act, 1881, was passed on the basis of the recommendations of the Bombay Factory Commission, 1875. Due to the limitations of the Act, the workers in Bombay Textile Industry under the leadership of N M Lokhande demanded reduced hours of work, weekly rest days, mid-day recess and compensation for injuries. Bombay Mill owners' Association conceded the demand for weekly holiday. Consequently, Lokhande established the first Workers' Union in India in 1890 in the name of Bombay Millhands Association. A labour journal called "Dinabandu" was also published.

Some of the important unions established during the period are: Amalgamated society of Railway Servants of India and Burma (1897), the Printers Union, Calcutta (1905) and the Bombay Postal Union (1907), the Kamgar Hitavardhak Sabha (1910) and the Social Service League (1910). But these unions were treated as ad hoc bodies and could not serve the purpose of trade unions.

A Modest Beginning

The beginning of the Labour movement in the modern sense started after the outbreak of World War I in the country. Economic, political and social conditions of the day influenced the growth of trade union movement in India. Establishment of International Labour Organisation in 1919 helped the formation of trade unions in the country. Madras Labour Union was formed on systematic lines in 1919. A number of trade unions were established between 1919 and 1923. Categorywise unions like Spinners' Union and Weavers' Union came into existence in Ahmedabad under the inspiration of Mahatma Gandhi. These unions were later federated into an industrial union known as Ahmedabad Textile Labour Association. This union has been formed on systematic lines and has been functioning on sound lines based on the Gandhian Philosophy of mutual trust, collaboration and non-violence.

All India Trade Union Congress

The most important year in the history of Indian Trade Union movement is 1920 when the All India Trade Union Congress (AITUC) was formed consequent upon the necessity of electing delegates for the International Labour Organisation (ILO). This is the first All India trade union in the country. The first meeting of the AITUC was held in October, 1920 at Bombay (now Mumbai) under the presidentship of Lala Lajpat Rai. The formation of AITUC led to the establishment of All India Railwaymen's Federation (AIRF) in 1922. Many company Railway Unions were affiliated to it. Signs of militant tendency and revolutionary ideas were apparent during this period.

- a. **Period of splits and mergers:** The splinter group of AITUC formed All India Trade Union Federation (AITUF) in 1929. Another split by the communists in 1931 led to the formation of All India Red Trade Union Congress. Thus, splits were more common during the period. However, efforts were made by the Railway Federation to bring unity within the AITUC. These efforts did bear fruit and All India Red Trade Union Congress was dissolved. Added to this, All India Trade Union Federation also merged with AITUC. The unified AITUC's convention was held in 1940 in Nagpur. But the unity did not last long. The World War II brought splits in the AITUC. There were two groups in the AITUC, one supporting the war with the other opposing it. The supporting group established

its own central organisation called the Indian Federation of Labour. A further split took place in 1947, when the top leaders of the Indian National Congress formed another central organisation.

- b. **Indian national trade union congress:** The efforts of Indian National Congress resulted in the establishment of Indian National Trade Union Congress (INTUC) by bringing about a split in the AITUC. INTUC started gaining membership right from the beginning.
- c. **Other central unions:** Socialists separated from AITUC had formed Hind Mazdoor Sabha (HMS) in 1948. The Indian Federation of Labour merged with the HMS. Radicals formed another union under the name of United Trade Union Congress in 1949. Thus, the trade union movement in the country was split into four distinct central unions during the short span of three years, from 1946 to 1949.

Some other central unions were also formed. They were Bharatiya Mazdoor Sangh (BMS) in 1955, the Hind Mazdoor Panchayat (HMP) in 1965 and Centre of Indian Trade Unions (CITU) in 1970. Thus, splinter group of INTUC formed Union Trade Union Congress - the split in the Congress party in 1969 resulted in the split in INTUC and led to the formation of National Labour Organisation (NLO).

Present Position

- i. There are over 7,000 trade unions (submitting returns) in the country, and more than 70 federations and confederations registered under the Trade Unions Act, 1926. The degree of unionism is fairly high in organised industrial sector. It is negligible in the agricultural and unorganised sectors.
- ii. Though the number of unions has greatly increased in the last four decades, the union membership per union has not kept pace. The National Commission on labour has stated that only 131 unions had a membership of over 5,000. More than 70% of the unions had a membership of below 500. Over the years the average membership figures per union have fallen steadily from about 1387 in 1943 to 750 in 2000. Unions with a membership of over 2000 constitute roughly 4 per cent of the total unions in the country.
- iii. There is a high degree of unionisation (varying from 30% to over 70%) in coal, cotton, textiles, iron and steel, railways, cement, banking, insurance, ports and docks and tobacco sector. White collar unions have also increased significantly covering officers, senior executives, managers, civil servants, self-employed professions like doctors, lawyers, traders, etc., for safeguarding their interests.
- iv. Most of the unions in India are fairly small in size. Post-liberalisation, membership figures have become somewhat pathetic.

Table 53: Trade Unions and their Membership

Details	1998	1999	2000
1. No. of registered workers' unions	61,199	64,040	65,286
2. Number submitting returns	7,291	8,061	7,224
3. Membership of unions submitting returns ('000)	7,229	6,394	5,417
4. Average membership per union	991	793	749

Source: Pocket Book of Labour Statistics, 2003-2004.

The 12 million unionised workers in the country are scattered among 12 central trade union organisations (as against one or two in UK, Japan, USA) with the BMS, INTUC, AITUC, CITU and HMS among the top five. The membership figures of each such union, naturally are not very impressive – AITUC had 9.24 lakh; INTUC has 27.06 lakh; HMS had 14.77 lakh and UTUC 8.3 lakh (Lenin group); and CITU had 17.98 lakh members in 1995. The membership figures have not changed significantly over the years. Just about 10% of the total workforce in India is unionised. The last membership survey was carried out in 1989, the results came in 1992 suggesting the supremacy of BMS as the union having maximum union members in the country – about 31 lakh.

A lot of benefits in the form of representation in various government committees, PSU boards, wage negotiation committees would be available to the BMS as a result of this survey. In the 1980 survey INTUC emerged as the topper among the national trade unions in the country. The survey results of 1989 had been leaked to the press in 1992, but not officially endorsed by the government till recently. What about the figures of members claimed by INTUC and others after 1989 survey? A meeting held on 2.10.1994 did not resolve the conflicting claims of RSS-affiliated BMS and Congress supported INTUC and the stalemate continues!

The Trade Unions Act, 1926 and Legal Framework

Registration

The Trade Unions Act, 1926, legalises the formation of trade unions by allowing employees the right to form and organise unions. It permits any 7 persons to form their union and get it registered under the Act. They must agree to abide by the provisions of the Act relating to registration and submit a copy of the rules of the trade union in their application to the Registrar of Trade Unions. If the union has been in existence for more than one year, the application must be accompanied by a statement of assets and liabilities of the union. The application must contain (a) the names, occupations and addresses of the members (b) name of the union, its head office (c) details about office bearers. After verifying the particulars, the Registrar will issue a certificate of registration in the prescribed form.

Status of a Registered Union

A trade union enjoys the following advantages after registration:

- It becomes a body corporate
- It gets a common seal
- It can buy and hold movable and immovable property
- It can enter into contracts with others
- It can sue and be sued in its name.

Cancellation of Registration

The Registrar of Unions can cancel the registration of a union on the following grounds:

- On the application by the union
- Where the application was obtained by fraud or mistake
- Where the union has ceased to exist

- Where it has wilfully and after notice from the Registrar contravened any provisions of the Act or allowed any rule to continue in force which is inconsistent with any provisions of the Act
- Where the union has rescinded any rule providing for any matter, provision for which is required by Section 6
- Where the primary objects of the union are no longer in agreement with the statutory objects.

Obligations

Under the act, it is obligatory for the union to:

- allow anyone above the age of 15 years to be a member of the union
- collect membership fees not less than 25 paise per month and per member
- specify that 50% of office bearers must be from the persons actually employed
- maintain membership register, get the books of account audited and make them available to members
- state the procedure for change of its name, its merger with other unions and its dissolution
- spend uniform funds for the purposes specified in the Act.

Rights

- Claim immunity from civil and criminal prosecution for bonafide trade union activities.
- Create a political fund
- Spend general funds on salaries of staff and meet certain other expenses as stated in the Act
- Can represent workers to the works committee.

If a union is formed by giving wrong information or registration is obtained through fraudulent means, the Registrar of Trade Unions can cancel such registration by giving 2 months' notice stating reasons.

Liabilities

- A registered union should maintain books of account and a list of members.
- Should keep books and the list open for inspection by members.
- Should have office bearers who do not suffer from the disqualifications prescribed under the TU Act, 1926.
- Should submit statements of receipts, expenditure, assets, liabilities etc., to the registrar of trade unions.
- Should give correct information to persons intending to become members.

Union Recognition

One of the long pending problems of the Indian Industrial Relations System is to evolve a satisfactory and acceptable means of setting the problem of recognising a bargaining agent from out of rival unions. Collective bargaining cannot exist and function

without recognising the bargaining agent. Since there is no law for compulsory recognition of trade unions, it is left to the choice of the employees. In view of the union rivalry and multiple unions, the employer finds it is difficult to recognise a union in the context of political affiliation. The employer may recognise those unions with the highest number of members. But more than one union may claim the highest number of membership in view of dual and multiple membership. Efforts have been made to bring about legislative measures for compulsory recognition of unions immediately after independence.

BOX 54: UNION RECOGNITION: CRITERIA AND RIGHTS

The Bombay Industrial Relations Act, 1946, classified the registered unions as:

- i. Representative union having a membership of not less than 25% of the total employees as members in an industry;
- ii. Qualified union having at least 5% of membership in an industry; and
- iii. Primary union having a membership of at least 15% of employees in an undertaking.

The rights of a Representative union under the Act are:

- a. First preference to appear or act in any proceedings under the Act as the representative of employees;
- b. Right to submit a dispute for arbitration;
- c. To make a special application to the Labour Court to hold an inquiry; and
- d. Office-bearers of the union cannot be dismissed or discharged.

The Bombay Industrial Relations Act 1946 provided for the largest trade union in an undertaking with a total membership of at least 15% of the workforce. Madhya Pradesh and Rajasthan laid down, more or less, similar conditions for the recognition of a representative union. In other States, unfortunately, there is no statutory provision for union recognition (they follow the Code of Discipline adopted in 1958).

BOX 55: EMPLOYER DECIDES EVERYTHING!

Collective bargaining can succeed only when the employer recognises a trade union as the sole bargaining agent (in a multi-union situation) and agrees to negotiate with it on various issues affecting the lives of workers. A union may be strong, having a large majority of workers standing by its side, but unless it is recognised by the employer it will not be able to deliver the goods. If the employer refuses to recognise such a fact, for any reason whatsoever, it may not be able to obtain any concessions for its members. Denial of recognition to a union enjoying majority may lead both parties to a tug-of-war situation, seriously impacting industrial activities. Since there is no Central Law for compulsory recognition of unions, the employers are free to recognise any union of their own choice. In a multi-union situation the employer is compelled to verify the claims of contending unions in a careful way, following the procedure recommended by the 16th Tripartite Labour Conference, 1958. The employer, by and large, is also free to grant recognition to any union, purely guided by his whims or political strength of the union.

Voluntary Recognition under the Code of Discipline, 1958

With the consensus of employers, employees and the Government, the following criteria for the recognition of unions was drawn up under the Code of Discipline which was adopted at the 16th Indian Labour Conference:

- Where there is more than one union, a union claiming recognition should have been functioning for at least one year after recognition. This condition does not apply where there is only one union.

- The membership of the union should cover at least 15% of the workers in the establishment concerned. Membership should be counted only of those who had paid their subscriptions for at least three months during the period of six months immediately preceding recognition.
- A union may claim to be recognised as a representative union for an industry in a local area if it has a membership of at least 25 per cent of the workers of that industry in that area.
- When a union has been recognised, there should be no change in the position for a period of 2 years.
- When there are several unions in an industry or establishment, the one with the largest membership should be recognised.
- A representative union for an industry in an area should have the right to represent workers in all the establishments in the industry, but if a union of workers in a particular establishment has a membership of 59% or more of workers it should have the right to deal with matters of purely local interest, such as, for instance, the handling of the grievances of its own members. All other workers who are not members of that union might either operate through the representative union for the industry or seek redress directly.
- Only those unions which follow the Code of Discipline would be entitled to recognition.
- In the case of trade union federations not affiliated to any of the four central organisations of labour, the question of recognition will have to be dealt with separately.

Verification of Trade Union Membership

Employers often face difficulties (even when observing the above criteria) while verifying the majority character of the union to be recognised when there is more than one union. At present the Labour Department, on the request of the management, does the verification work taking the following things into account:

- a. Details of existing unions in the unit, date of registration; whether the existing recognised union has completed a two year period, whether any of the unions violated any stipulations of the Code of Discipline etc. Within 10 days the unions claiming recognition and other existing unions will have to produce documentary proof to the verification officer: details about membership, subscription list of members who have paid subscriptions for 3 months out of the preceding 6 months, money receipt counterfoils, books of account, bank statements, etc.
- b. Where there are two or more unions, all of them have to furnish the above details. If they fail to produce the above data, the verification officer may, after giving 10 days' notice, decide the issue as per the evidence collected and facts obtained.
- c. The verification process is done in the presence of unions furnishing the above data. The muster rolls of the firm are generally checked to see whether the names tally with the employment register.
- d. The concerned unions can recheck the verified list and forward objections, if any, to the verification officer. In case of objections regarding dual membership, the officer talks to the concerned workers and draws his own conclusions (based on personal interrogation).

- e. The officer will then submit the report to the Government as well as the management of the firm.

Verification, thus, is a contentious and time-consuming process. Most trade unions in India do not maintain their membership records properly and even after several requests from the Labour Department do not furnish membership register as well as receipts. Again, verifying common names appearing in the Trade Union registers is not an easy task, with claims and counter-claims coming from various quarters. Some of the unions do not agree to the secret ballot too, which is adopted to find out the truth behind the curtain. The 'secret ballot' itself is a dangerous proposition because it creates an election-like atmosphere with some leaders making promises which they will never fulfil. The leaders may try to divide workers along caste, community, religion, linguistic and regional lines. For short-term gains, the leaders may divide the illiterate workers playing on sentimental and emotional issues and, in the process, damage the harmonious relations within the unit permanently.

The Check-off System

Check-off system is, often, being advocated as a useful way of verifying the membership claims of rival unions within a unit. In this system the membership fee is collected through the payroll at the time of payment of wages. The amount so collected by the employer will directly go into the account of the concerned union. The subscription figures of each union following the check-off system, thus, offer reliable evidence of its membership and the same can be used to determine its representative character or otherwise rights of a Representative Union.

The rights of Representative union under the Act are:

- a. First preference to appear or act in any proceedings under the Act as the representative of employees;
- b. Right to submit a dispute for arbitration;
- c. To make a special application to the Labour Court to hold an inquiry; and
- d. Office-bearers of the union cannot be dismissed or discharged.

The Code of Discipline mentions the following rights of a recognised union: (a) enter into a collective agreement with employer regarding terms of employment and service conditions (b) collect subscription from members within the premises (c) put up a notice board within the unit and use it for its regular announcements relating to meetings etc. (d) hold discussions with its members inside the unit (e) discuss the grievances of its members with the management (f) inspect any place in the undertaking where any member of the union is employed (g) finally, appoint its nominees on joint consultative bodies and committees.

Recommendations of National Commission on Labour

The need for suitable provision for recognition was stressed by the Second Five Year Plan. The National Commission on Labour examined all the aspects of trade union recognition and recommended that:

- i. It would be desirable to make recognition compulsory under a central law in all undertakings employing 100 or more or where the capital invested is above a stipulated size;
- ii. A trade union seeking recognition as a bargaining agent from an individual

- employer should have a membership of at least 30% of workers in the establishment;
- iii. The minimum membership should be at least 25% if recognition is sought for in an industry in a local area; and
 - iv. The minority unions should be allowed only the right to represent cases of dismissal and discharge of their members before the Labour Court.

Union Problems

Over the years, trade unions in India have been taken for a ride by outside political leaders. In the process, the interests of workers and their aspirations have been totally neglected. The Trade Unions Act, 1926, did not clearly specify the procedure for recognising a representative union. As a result, multiple unions have cropped up, often with blessings from management. The union finances have not been very sound from the beginning. The average membership figures for each union remain poor and have not improved. The forces of liberalisation unleashed in early 90s have strengthened the hands of employers in closing down unviable units. The new corporate 'mantras' – productivity, performance, efficiency, survival of the fittest have virtually pushed them to the wall—where their very survival looks uncertain. Let's recount the factors responsible for their ever-increasing woes and depreciated status thus:

- a. **Trade union leadership:** The nature of leadership significantly influences the union-management relations as the leadership is the linchpin of the management of trade unions. The leadership of most of the trade unions in India has been outside leadership mainly drawn from political parties. As the labour movement in India is deeply involved in politics and politicians, most of the politicians have also come from trade unions. For example, Lok Nayak Jayaprakash Narain, former President of India V V Giri, George Fernandes, all worked as trade union leaders. In fact, political parties invented Trade Unions in India.

Reasons for emergence of outside leadership: Outside leadership has been playing a pivotal role in Indian Trade Union Movement due to the inability of insiders to lead their movement. In view of low education standards and poor command over English language which is still the principal language of labour legislation and negotiations, low level of knowledge about labour legislation, unsound financial position, fear of victimisation by the employer and lack of leadership qualities, outside leaders have come to stay. The main reason for this trend is that the Trade Unions Act, 1926, itself provided the scope for outside leadership. Section 22 of the Act requires that ordinarily not less than half of the officers of the registered union shall be actively engaged or employed in an industry to which the union relates. Thus, this provision provides the scope for outsiders to the tune of 50% of the office bearers. The Royal Commission on Labour (RCL), 1931, recommended for the reduction of the statutory limit of outsiders from 1/2 to 1/3 but no efforts were taken in this direction.

The evil effects of outside leadership: The evil effects of outside leadership analysed by National Commission on Labour are as follows:

1. Outside leadership undermined the purposes of Trade Unions and weakened their authority. Personal benefits and prejudices sometimes weighed more than unions.
2. Outside leadership has been responsible for the slow growth of Trade Unions.

3. Internal leadership has not been developed fully.
4. Most of the leaders cannot understand the workers' problems as they do not live the life of a worker.

Even though outside leadership is permissible in the initial stages it is undesirable in the long run because of many evils associated with it. Political differences of leaders have been inhibiting the formation of one union in one industry. Most of the Trade Union leaders fulfil their personal aspirations with their knowledge and experience gained in the Trade Unions.

Measures to minimise the evil effects of outside leadership: In view of the limitations of outside leadership, it is desirable to replace the outside leaders progressively by the internal leaders. The National Commission on Labour, 1969, also stated that outsiders in the Trade Unions should be made redundant by forces from within rather than by legal means.

Both the management and trade unions should take steps in this direction. These steps may be:

- Management should assure that the victimisation will be at zero level, even if the trade unions are led by insiders;
- Extensive training facilities in the areas of leadership skills, management techniques and programmes should be provided to the workers;
- Special leave should be sanctioned to the office bearers.

Union rivalry has been the result of the following factors:

1. The desire of political parties to have their basis among the industrial workers;
2. Personal-cum-factional politics of the local union leaders;
3. Domination of unions by outside leaders;
4. Attitude and policies of the management, i.e., divide and rule policy; and
5. The weak legal framework of trade unions.

Measures to minimise union rivalry: In view of the evil effects of inter-union rivalry and the problem of formation of one union in one industry, it may be necessary to consider the recommendations of National Commission on Labour, 1969. The recommendations of NCL to minimise union rivalry are:

- Elimination of party politics and outsiders through building up of internal leaders
- Promotion of collective bargaining through recognition of sole bargaining agents
- Improving the system of union recognition
- Encouraging union security
- Empowering labour courts to settle inter-union disputes if they are not settled within the organisation.

- b. **Multiple unions:** Multiple unionism both at the plant and industry levels pose a serious threat to industrial peace and harmony in India. The situation of multiple unions is said to prevail when two or more unions in the same plant or industry try to assert rival claims over each other and function with overlapping jurisdiction.

The multiple unions exist due to the existence of craft unions, formations of two or more unions in the industry. Multiple unionism is not a phenomenon unique to India. It exists even in advanced countries like UK and USA. Multiple unionism affects the industrial relations system both positively and negatively. It is sometimes desirable for the healthy and democratic growth of labour movement. It encourages a healthy competition and acts as a check to the adoption of undemocratic practice, authoritative structure and autocratic leadership. However, the negative impacts of multiple unions dominate the positive impacts. The nature of competition tends to convert itself into a sense of unfair competition resulting in inter-union rivalry. The rivalry destroys the feeling of mutual trust and cooperation among leadership. It is a major cause for weakening the Trade Union Movement in India. Multiple unionism also results in small size of the unions, poor finances, etc.

- c. **Union rivalry:** The formal basis for Trade Union Organisation is provided by the Indian Trade Union Act, 1926. The relevant article reads as follows:

“Any seven or more members of a trade union may be subscribing their names to the roles of the trade union and by otherwise complying with the provisions of this Act with respect to the registration, apply for registration of the trade union under this Act.”

This provision has led to the formation of multiple unions and resulted in inter-union rivalry in different industries. But the inter-union rivalry defeats the very purpose of the trade unions by weakening the strength of collective bargaining. On the other hand, the existence of a single, strong union not only protects the employee interests more effectively but also halts the various unproductive activities of the unions and forces the leaders to concentrate on the strategic issues. Further, it helps to bring about congenial industrial relations by bringing about a system of orderliness in dealing with the employees and by facilitating expeditious settlement of disputes.

The state of rivalry between two groups of the same union is said to be inter-union rivalry. Inter and intra-union rivalries have been a potent cause of industrial disputes in the country. They are responsible for weak bargaining power of trade unions in collective bargaining. These rivalries are responsible for slow growth of trade union movement in the country.

- d. **Finance:** Sound financial position is an essential ingredient for the effective functioning of trade unions, because in the process of rendering services or fulfilling their goals, trade unions have to perform a variety of functions and organise programmes which require enormous financial commitments. Hence, it is imperative on the part of a trade union to strengthen its financial position.

But it is felt that the income and expenditure of trade unions in India over the years is such, with few exceptions, that the financial position of the unions is generally weak, affecting their functioning. It is opined that the “trade unions could be more effective, if they paid more attention to strengthening their organisations and achieving higher level of financial solvency.”

The primary source of income to the unions is membership subscription. The other sources of union finances are donations, sale of periodicals, etc. The items of expenditure include: allowances to office bearers, salaries to office staff, annual convention/meeting expenses, rents, stationery, printing, postage, telegrams, etc.

Most of the trade unions in India suffer from inadequate funds. This unsound financial position is mostly due to low membership and low rate of membership fee. Trade Union Act, 1926, prescribed the membership fee at 25 paise per member per month. But the National Commission on Labour recommended the increase of rate of membership subscription from 25 paise to Re 1 in the year 1990. But the Government did not accept this recommendation.

As the National Commission on Labour observes, “an important factor limiting the effective functioning of unions in our country has been their financial weakness... In most unions, poor finances are the result of inadequate membership strength. This in turn, can be traced to the small size of units. In a majority of unions, the rate of contributions required of members is also small. With a relatively low rate of unionisation, total funds collected are small.... The general picture of finances of unions is disappointing.”

e. **Other problems:** The other factors responsible for the unsound functioning of trade unions in India are:

- i. **Illiteracy:** Workers in India usually fail to understand the implications of modern trade unionism. Their illiteracy coupled with ignorance and indifference account for the predominance of outside leadership.
- ii. **Uneven growth:** Trade unionism activities are, more or less, confined to major metros in India and traceable only in large scale units (especially cotton textile industry). The degree of unionism also varies from industry to industry, varying between to 30-70 per cent in coal, cotton textiles, iron and steel, tobacco, railways, cement, banking, insurance, ports and docks, etc. The degree of unionism is quite negligible in the agricultural and unorganised sector.
- iii. **Low membership:** The average membership figures of each union are quite depressing. In 1992-93, the average membership figure was 632, a steady fall from 3,594 per union from 1927-28. “Because of their small size, unions suffer from lack of adequate funds and find it difficult to engage the services of experts to aid and advise members in times of need”. They can’t bargain with the employer effectively on their own.
- iv. **Heterogeneous nature of labour:** Since workers come to the factory with varying backgrounds, it is difficult for them to present a joint front in case of trouble. Employers exploit the situation, under the circumstances, by dividing workers on the basis of race, religion, language, caste, etc.
- v. **Lack of Interest:** For a large majority of workers, unionism even today remains a foreign issue. In fact, workers avoid union activities out of sheer disinterestedness. Those who become part of the union, do not also participate in the union work enthusiastically. In such a scenario, it is not surprising to find outside political leaders exploiting the situation to serve their own personal agenda.
- vi. **Absence of paid office bearers:** Weak finances do not permit unions to engage the services of full time, paid office bearers. Union activists, who work on a part time basis, neither have the time nor the energy to take up union activities sincerely and diligently.

Current Trends in Trade Unionism

Public sympathy and unqualified support was there for the asking for trade unions and labour leaders when India gained Independence. They were treated as living legends and welcomed into corporate circles and political forums openly. Nationalisation of important services (railways, banking, insurance, power, posts and telegraph, aviation, docks and ports etc.) and core sector activities have paid dividends initially. Thanks to MS Swaminathan, the agricultural sector flourished during 60's and 70's. The industrial sector, unfortunately, failed to deliver the goods on all fronts. To cite an example, absence of competition has led to the government-owned insurance companies becoming slothful, unproductive and expensive to the customers (premium on life insurance is nearly 40 per cent more in India than in any developed country because the Life Insurance Corporation has to compulsorily invest in government securities). The entire decade of the 1970s was lost to empty slogans like 'Garibi Hatao'. The socialist leanings of Mrs. Gandhi did not take the nation to 'commanding heights'. Absence of competition, administrative controls, licensing restrictions, pro-labour policies, were the hallmarks of 1970s and 1980s. Owners were inward looking, focusing more on lobbying than on achieving production efficiency through investments in R & D, technology upgradation and total quality management. Assured jobs, weak employers, pro-labour government policies and collective strength of numbers have encouraged labour to be vociferous and demanding. Ever apprehensive of rubbing the unions the wrong way, governments—especially when elections are round the corner—preferred the velvet glove to the iron fist when dealing with unions. Secure jobs, high wages, absence of accountability and contempt for authority is what the workers of a public sector undertaking have come to personify. These employees (10% of Organised labour harming the interests of the remaining 90%) have held the country to ransom for far too long. They were, all along, inward-looking, resistant to change and always talked about their rights and not their duties.

The process of socio-political and economic churning that was forced upon the country in the early 90's—thanks to Mandal, Mandir and Manmohan (Economic Liberalisation)—has engulfed virtually every aspect of the nation's life. The Labour Unions during this period failed to catch up with the times. Their refusal to refocus their aims, or even acknowledge the need to change, has led to their irrelevance and alienation from those very sections of the Indian society whose support helped them grow.

Trade Unions: Losing Clout

The equation between labour and management has altered dramatically in last 10 years after the liberalisation. Strikes have declined steadily, especially after 1993. Instead of yielding to the pressure tactics employed by trade unions, managements preferred to draw the shutters down, whether it is Mumbai, Kolkata, Delhi, Chennai or Bangalore. Unions are now fighting for their survival and the militancy which was almost synonymous with labour unions in the past has, by and large, declined. The reasons are fairly obvious. The entry of multinational companies has compelled virtually every local company to focus more on quality, customer service, and cost cutting.

Reasons for the Paradigm Shift

1. **Militancy does not pay:** The employer will draw the shutters down, if pushed to the wall. 'Strident sloganeering', therefore, is to be replaced by a pragmatic approach—as is followed by Bhartiya Kamgar Sena (advocates face-to-face meetings, wage freeze, VRS schemes, selling mill properties etc., instead of strikes and lockouts).

2. **Political base and public support disappearing:** The fiercely competitive scenario has made the political bosses realise the importance of keeping a low profile (otherwise they may antagonise a large majority of customers and general public) and distancing themselves from economic activities. Without political patronage and financial support from 'upstairs', unions are finding it difficult to keep their spirits high and fight out the issues with management till the end. In the case of Shri Ram Mills, despite union pressure, the workers accepted VRS and allowed the management to sell its property. In the case of Premier Automobiles Ltd. (PAL) workers have realised that labour leader Samant does not have any solution and preferred to decide things on their own. The All India Bank Employees Association too had to retrace its steps when a series of strike calls have failed to move either the government or the general public. Losing public sympathy and support was the prime reason behind the series of agreements, which the five unions in Air India have signed with the government in late 90s. With the opening up of the economy, the government has acquired a greater degree of intolerance towards militancy and strong-arm tactics by the unions. This is especially true of the State governments who now have to fiercely compete for investments. Even in pro-labour states such as Kerala and West Bengal, labour militancy is not encouraged. Over the years, labour as a constituency has shrunk in size and its importance to politicians has diminished considerably.
3. **Jobs Vanishing at an Alarming Rate:** Liberalisation, which promised six million jobs every year, has ended up as a job destroyer. Companies have their own compelling reasons to undertake cost cutting measures. To compete globally, they have to raise labour productivity, modernise operations and give undiluted attention to quality. With encouraging signals from government (supporting VRS, modernisation efforts, pro-employer moves favouring drastic labour reforms), the employers have been giving pink slips to people who have failed to keep pace with the time. Union leaders and labour activists point out that many companies, mostly small ones, have simply closed down without permission from the Government (it is necessary for companies with 100 or more workers – now the Government seeks to increase this number to 1000 – to seek government permission before closing the factories and sacking workers).
4. **Shrinking membership:** Membership of unions has been declining over the years. CITU whose membership grew 10 per cent in the seventies, had only a 4 per cent growth in the nineties. Similarly, INTUC which deregistered nine lakh workers during post-liberalisation era, could add only 5 lakh members. Membership of AITUC which touched 35 lakh in the eighties, dropped to 25 lakh in the nineties. These shrinking numbers have reduced the popularity and influence of unions (apart from their division of loyalties along political lines) in the present scenario. Given the harsh realities they are up against, leading national trade unions are working out a broad agenda cutting across party lines. They are singing a different tune altogether. Confrontation with establishment is out; they now have integration and cooperation as top priorities. "Unions have already come out with joint statements on specific issues such as disinvestments revival of sick companies, and have begun chalking out a common action plan. But recreating the glories of the past may well be beyond them" (Outlook, Dec 6, 1999).

Trade Unions (TUs) are now working out a survival strategy. Forget about political differences, present a joint front and act as a pressure group having a say in economic policies. Faced with shrinking membership figures (BMS 31.1 lakh; INTUC 26.9 lakh; CITU 17.7 lakh; HMS 14.8 lakh; AITUC 9.4 lakh, UTUC (LS) 8.4 lakh; UTUC 5.8 lakh, others 9.4 lakh and total 123.6 lakh members as in 1996) they are presenting a brave front while chalking out a survival plan. Post liberalisation, employers have been aggressively hiring people on a temporary basis and the government has been highlighting the importance of privatisation; retrenching people has become the order of the day, social security has become a dirty word in the changed scenario. Unions have been marginalised and in the absence of a charismatic national leader, unions are finding it difficult to find supporters for their 'United we stand; divided we fall' kind of arguments. The division of unions on political lines have made them virtually toothless. "The current gloomy situation may change, once the union leaders sink their ideological differences and present a joint front on all economic issues affecting their lives in the near future' (The Economic Times, 9.3.2000).

The Trade Union (Amendment) Bill, 2000

The Trade Union (Amendment) Bill, 2000 aims at removing labour market rigidity and increasing the comfort level of industrial undertakings. It seeks to reduce the number of unions (within a unit or industry) and increase the number of persons needed to register a union from a mere 7 to 10 per cent of the labour force. The Bill will also curb participation of outsiders in union activities. To this end, it is proposed that not more than one third of the office bearers subject to a maximum of five could be outsiders (At present, half of the office bearers can be outsiders). The unions would be required to hold elections annually and get their accounts audited properly. Barring the RSS controlled BMS, all other National Unions have expressed strong negative views about the Bill. They felt that the proposed amendments would make it easier for industrial establishments to restrict union activities by playing on workers' insecurity.

Measures to Strengthen Trade Union Movement in India

The trade union movement in India has been facing several problems as discussed earlier. Moreover, the problems of trade unions are like a vicious circle. It is not possible to put an end to all their problems, or mitigate them to a reasonable level. Hence, managements, trade unions, political parties should take steps to reduce the effects of these problems. The following are some of the measures to minimise trade union problems and to strengthen the Trade Union Movement in India.

United Labour Front

Unions must put up a joint front. Splinter groups or multiple unions dissipate their energies, dilute their power and reduce their effectiveness.

Efficient Leadership

Outside political leadership has developed due to the absence of internal leadership. Outside leadership is the main cause for the multiple problems of the trade unions. These problems can be eradicated through the development of leadership talents from within. Management should encourage internal workers to lead their own movement. Management and trade unions should provide educational and training facilities for the development of internal leadership.

Membership Fees

The membership fees should be raised as the workers wages have increased significantly, compared to the situation in 1926 when Trade Union Act provided for the collection of 25 paise per month per member as subscription fee.

Other Measures

- Trade unions should extend welfare measures to the members and actively pursue social responsibilities.
- The Trade Union Act, 1956, should be amended and the number of members required to form a trade union should be increased from 7 to 50% of the employees of an organisation. Similarly, the scope for the outside leadership should be reduced from 50% to about 10%. The membership subscription should be enhanced from 25 paise to 1% of the monthly wage of the worker.
- The Trade Union Act should be amended in order to avoid dual membership.
- There should be legal provision for the recognition of the representative union.
- Unions should not intervene in day-to-day matters. They must focus on important issues affecting workers.
- Trade unions should form a labour party and all the trade unions in the country should be affiliated to it. It gives adequate strength to the trade unions both in industry and Parliament.

Employers' Associations

Introduction

Employers' Associations came into existence as a result of the formation of ILO and the growing presence of Trade Unions, especially after the First World War. The Royal Commission on Labour, 1929, recommended that the Indian employers need an organisation "to deal with labour problems from the employer's point of view". As rightly pointed out by Mr Naval Tata, employers' organisations are required to:

- Develop healthy and stable industrial relations;
- Promote collective bargaining at different levels;
- Bring a unified employers' viewpoint on the issues of industrial relations to the government in a concerted manner; and
- Represent in the meetings of ILC and SLC boards in conformity with tripartite approach to labour matters.

Objectives

Employers' Associations are formed to promote and protect interests of employers in trade and industry. They are "formal groups of employers set up to defend, represent or advise affiliated employers". They perform several important functions:

Primary

- a. Promote and protect the interests of employers engaged in industry, trade and commerce in India.
- b. Study, analyse and disseminate information relating to labour policy, labour-management relations, collective bargaining, etc.
- c. Offer advice concerning various aspects of labour policy.
- d. Liaise with Union Government and initiate steps that are representative and legislative in nature.

Secondary

- a. Train and develop staff and members.
- b. Obtain data on wages and conditions of work in industries attached to them.
- c. Come out with surveys, research-based reports on issues of importance to both labour and management.
- d. Take up projects for social and family welfare.
- e. Deal with safety and health at work place and working environment.
- f. Initiate steps to improve public image and improve public relations.
- g. Educate the public regarding the character, scope, importance and needs of trade, industry and commerce represented by members.

Origin and Growth

Employers never realised the importance of organising their ranks till the first World War. They had autonomy to deal with labour matters. But soon unions gained ground. The shortage of skilled labour was felt in textile industry. There was need to regulate working hours and pay fair remuneration to workers. The employers supporting the Swadeshi movement during the Independence struggle formed the Associated Chamber of Commerce (ASSOCHAM) in 1920 and the Federation of Indian Chamber of Commerce (FICCI) in 1927. The formation of International Labour Organisation (ILO), the enactment in 1926 of the Trade Unions Act, the setting up of the Royal Commission on Labour in 1929 had a great influence in shaping the role of employees in industrial matters. Labour departments were set up to redress workers' grievances. The existing association of employers failed to look into the peculiar employment conditions of various industries in an exclusive way. Meanwhile, ILO wanted the government to nominate 'Employers' and 'Workers' delegates and Advisors representing in the Workers/Employers on an all-India basis. The trade unions were quick to form the All India Trade Union Congress in 1920, in response to this requirement. The various chambers and association of employers were not able to iron out their differences and form an All India Body till 1930. FICCI took the initiative and announced the setting up of the All India Organisation of Employers (AIOE) in 1932. In 1933 ASSOCHAM and others formed the Employers Federation of India (EFI). The former represented the interests of Indian employers and the latter represented the British and Parsi business interests in the large scale, organised sector. The primary objective behind the formation of these organisations was the need to select employers' delegates for the ILO meetings. The medium and small scale employers also realised the importance of forming a third body, taking care of their interests. In 1941 the All India Manufacturers Organisations (AIMO) was set up in 1941 to represent the medium and small sectors. Apart from immediate recognition from Government of India, AIMO got recognition from ILO in 1980.

Structure

At present, employer's organisations are organised at three levels:

- a. **Local organisations:** They serve the interests of local businessmen. The Bombay Mill Owners Association, for example, has been formed to protect the local interests of manufacturing units operating within the city. Such bodies operate through the local chambers of commerce.

- b. **Regional organisations:** The regional outfits such as Employers' Federation of South India, the Employers' Association, Calcutta are affiliated to central employers organisation. They offer consultancy service, and take care of training, safety and welfare measures on behalf of their members. They even have special committees for specific region or industry-related problems.
- c. **Central organisations:** As stated earlier AIOE, EFI, and AIMO operate as apex bodies governing the affairs of several regional and local associations. To have better coordination, a superstructure called the Council Of Indian Employers was formed in 1956, bringing AIOE and EFI under a single umbrella.

AIOE

The All India Organisation of Employers is a unitary type of organisation, set up in 1953; members hail from manufacturing, banking, insurance, commercial establishments; and has no sub-organisation on an industrial or geographical basis. The President is elected every year.

EFI

The Employers' Federation of India has a federal structure; formed in 1933; it has a governing body, executive committee and a secretariat. The governing body formulates policies, the executive committee implements policies and the secretariat – with its own permanent staff – is responsible for carrying out the decisions of the governing body. It has had only four presidents in over 50 years. EFI was registered as a trade union in 1963 under the Indian Trade Unions Act of 1926.

IOE

International Organisation of Employers, represents the interests of employers in all social and labour matters at the international level. Founded in 1920 with headquarters in Geneva, it has a membership of Employers' Associations from over 100 countries. The Central Council of Indian Employers is a member of IOE.

Legal Status

The employers' associations may be registered under any of the following pieces of legislation: the Trade Unions Act, 1926; the Indian Companies Act, 1956; or the Societies Registration Act, 1960. The AIOE, as stated previously, remained a registered body under the Indian Trade Unions Act. This helped AIOE to take up test cases before the courts and Industrial Tribunals. The EFI came into existence as a company in 1933 under the Indian Companies Act. Later it was reorganised as a unregistered association. Thereafter in 1963 it got registered under the Indian Trade Unions Act. This was mainly done to avoid the burden of income tax on its steadily growing income.

Membership and Financial Status

Membership in employers' associations is voluntary. Three types of membership is available in EFI: individual (for each enterprise), association; (group of enterprises) and honorary (for legal experts and eminent professionals who serve on various committees).

In 1986, 648 employers' associations were registered under the Trade Unions Act. There were numerous other bodies registered under the Companies Act. In 1986, the AIOE and EFI had 59 and 31 association members respectively. The strength of individual members was not very high at 130 and 247 respectively.

A representative body for public sector, called Standing Conference on Public Enterprises (SCOPE) was registered in 1970 as a society under the Societies Act. Over 95 per cent of the central public sector units are members of this body. The affairs of SCOPE are governed by the Governing Council, the Executive Board and the Secretariat.

According to the latest available data, there are only 22 Employers' unions submitting returns with 4,000 members in all. The number of Employers' unions has fallen steadily from 112 in 1998 to 91 in 1999 and 22 in 2000. (Total member of registered Employers' unions were 1024 in 1998, 777 in 1999 and 770 in 2000. See Pocket Book of Labour Statistics, 2003-04).

The principle source of income for EFI and AIOE is the subscription amount paid by the members. Nearly half of the income of EFI and one-fourth of the income of AIOE is from this source only. They also get income in the form of interest on deposits, conference fee, publications, etc.

Evaluation

Employers' Associations (EAs) have remained disparate groups, passing resolutions and airing grievances from various platforms. EA's relations with Government have remained individualistic in nature. They were keen to have personalised relations with Government functionaries instead of presenting a unified stand for the common benefit of all constituent groups. The relations with unions were also far from satisfactory. The focus was not on having an open dialogue on issues affecting the lives of both the employer and the employee. Naturally, the occasional interactions between the two groups remained adversarial.

Employers were never a homogeneous class. The reasons for this conclusion are fairly obvious: the conflict between Swadeshi and Videshi in pre-independence era; the public and private ownership debate in post-liberalisation era; the on-going rivalry and battles between ASSOCHAM, EIMO and FICCI – all these prove the point clearly. Unless they present a unified front, maintain cordial relations among all constituent groups and learn to address the conflicting issues head-on, it will not be possible to achieve the ends that EAs have adopted over the years. They have many dilemmas and challenges. The technological, structural, economic and social changes have altogether transformed the lives of corporation in a dramatic way, especially after the 90s. The constituent parts of EAs (their members, unions, government, public at large) must realise the futility of carrying the age-old class-conflict ideology into the 21st century. The free market forces have changed the rules of the game completely. Unless the EAs understand and adjust to such challenges and dilemmas (such as technological, structural, economic, social, etc.) in a smooth way, they would be falling behind.

“They should learn to be proactive than reactive. The distinction between the reactive and proactive approaches may be described as the difference between settling disputes and preventive care, between raising demands and removing grievances, seeking amendments to the law and influencing the law in advance, controlling wages and providing incentives, enforcing discipline and promoting good relations”.

Summary

- Industrial relations are the outcome of the employment relationship in an industrial unit. It underscores the importance of compromise and accommodation in place of conflict and controversy in resolving disputes between labour and management.
- The basic objective of industrial relations is to maintain sound relations between employers and employees.
- There are five different approaches to study industrial relations, namely, the psychological approach, the sociological approach, the human relations approach, Giri's approach and the Gandhian approach.
- The HRD approach recognises employees as invaluable assets in an organisation and believes that they can be developed to an unlimited extent with proper incentives, atmosphere and treatment.
- Constructive attitudes, well-organised unions, proper procedures and policies, bipartite committees, etc., are needed to promote and maintain sound industrial relations.
- Sound industrial relations are essential for ensuring industrial peace and improved productivity. Cordial labour management relations enable the employer to secure cooperation and commitment from employees quite easily.
- Industrial conflicts constitute militant and organised protests against existing terms and conditions of employment. They occur in several forms such as strikes, lock-outs, gheroas, picketing, boycott etc.
- Industrial disputes arise due to several causes relating to recognition, retrenchment, employment conditions, indiscipline, wages and allowances, bonus, ill-treatment etc.
- Strong trade unions, works committees, joint management councils, standing orders, proper grievance procedures, code of discipline, collective bargaining etc. help in preventing industrial disputes.
- Conciliation (Conciliation Officer and Board of Conciliation) arbitration (voluntary and compulsory) and adjudication (Labour Court, Industrial Tribunal, National Tribunal) help in the settlement of disputes as envisaged by the Industrial Disputes Act.
- A trade union is a formal association of workers, acting collectively, who seek to protect and promote their mutual interests through collective action.
- The main objective of any trade union is to protect and promote the interests of its members. Unions perform certain social, political and fraternal functions as well.
- It has been a long road for the trade union movement in India, a past boasting of prominent national leaders at centre stage, to militant presence till 1990s and a painful process of fighting for survival till 2000 and an uncertain future in the midst of tumultuous economic, social, political and technological changes.
- The trade Union Act 1926 legalises the formation of trade unions by any seven persons employed in a unit quite easily. A registered union has certain advantages to its credit. Due to inter-union and intra-union rivalry, it is not easy to carryout negotiations with a recognised union in India. The Act, of course, has not cleared the fog either. The Code of Discipline, 1958 is able to fill the gaps (with very little success, of course) in this regard.

- Political interference, outside leaders, multiple unions, union rivalry, weak financial condition, uneven growth, and low membership are some of the important problems of Indian trade unions.
- Of late, unions have been pushed to the wall due to growing competition, need to cut costs and restructure operations, apathy on the part of workers, lack of support from the government and various sections of society, failure in many cases, absence of strong leadership etc.
- In order to strengthen the trade union movement in the country, there is an urgent need to improve trade unions' finances, to develop leaders internally, to recognise a bargaining agent on the basis of strong membership figures, to promote 'one union industry' principle etc.
- Employees' associations are formed to promote and protect interests of employees in trade and industry. AIOE, EFI, IOE are some of the important organisations having a good track record in India.

Terminology

- **Industrial relations:** It generally refers to the collective relations between employers and employees as a group.
- **Industrial conflict:** Organised protest against prevailing industrial conditions raised by a group or a class of workers.
- **Strike:** A collective stoppage of work by a group of workers.
- **Lock-out:** Closing down of an undertaking or the suspension of work or the refusal of an employer to continue to employ any number of persons employed by him.
- **Closure:** In case of closure, the employer not only shuts down the place of business but also suspends all the transactions of his business.
- **Layoff:** In case of layoff, some workers are refused employment whereas under lock out all the workers are refused work. Under layoff, the place of employment need not be closed.
- **Retrenchment:** Termination by the employer of the services of a workman for any reason whatsoever, otherwise than as a punishment inflicted by way of disciplinary action.
- **Arbitrator:** A person who is appointed to play the role of an umpire while resolving differences and disputes between two parties.
- **Standing orders:** Rules and regulations which govern the conditions of employment of workers.
- **Code of discipline:** It consists of a set of self-imposed obligations voluntarily formulated by the central organisation of workers and employers.
- **Conciliation:** The practice by which the services of a neutral third party are used in a dispute as a means of helping the disputing parties to reduce the extent of their differences and to arrive at an amicable settlement or agreed solution.
- **Voluntary arbitration:** The process in which the disputing parties show willingness to go to an arbitrator (a third party) and submit to his decision voluntarily.

- **Adjudication:** It is the process of settling disputes through the intervention of a third party appointed by the Government.
- **Industrial dispute:** Any dispute or difference between employers and employees, or between employers 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.
- **Trade union:** “A voluntary organisation of workers formed to promote and protect their interests by collective action” (V.V. Giri).
- **Employers’ association:** It is a formal group of employers set up to defend, represent and advise affiliated employers.
- **Closed shop:** A form of union security in which the company can hire only union members.
- **Union shop:** A form of union security in which the company can hire nonunion people but they must join the union after prescribed period of time and pay dues. If they do not, they can be fired.
- **Open shop:** The least attractive type of union security from the union’s point of view where the workers decide whether or not to join the union; and those who join must pay dues.
- **Craft union:** A union whose members do one type of work, often using specialised skills and training (e.g., association of fitters, plumbers, teachers, lawyers etc.)
- **Federation:** A group of autonomous national and international unions (e.g., National Federation of Indian Railwaymen, National Federation of Post and Telegraph workers, Indian Federation of Working Journalists).
- **Industrial union:** A union that includes many persons working in the same industry or company regardless of jobs held (e.g., Ahmedabad Textile Labour Association, Rashtriya Mill Mazdoor Sangh).
- **Registered union:** A union which is acknowledged to be covered under Trade Union Act 1926, has some rights and can discharge liabilities like a natural person in the eyes of law.

References

1. ● J.H. Richardson, “An Introduction to the Study of Industrial Relations”, George Allen, London, 1961.
 - V.B. Singh, “Climate for Industrial Relations”, Asia Publishing House, Bombay, 1968.
 - R.K. Agarwala, “Union Management Cooperation”, IJIR, 13, 1978.
 - S.L. Agarwal, “Labour Relations in India”, Macmillan, Delhi, 1978.
 - C.A. Myers, S. Kannapan, “Industrial Relations in India”, Asia, Bombay, 1970.
2. D. Yoder, “Personnel Management and Industrial Relations”, Prentice Hall, New Delhi, 1977.
3. R.A. Lester, “Labour and Industrial Relations, Macmillan, New York, 1964.
4. ● C.B. Kumar, “Development of Industrial Relations in India”, Orient Longman, Bombay, 1961.

- V. Agnihotri, "Industrial Relations in India", Atma Ram & Sons, 1970.
 - E.A. Ramaswamy, (ed), "Industrial Relations in India", Macmillan, Delhi, 1981.
 - C.A. Myers, S. Kannappan, "Industrial Relations in India", Asia, Bombay, 1970.
 - N.N. Chatterjee, "Management of Personnel in India Enterprise", Allied, Calcutta, 1978.
 - N.F. Dufty, "Industrial Relations in India", Allied, Bombay, 1964.
 - C.B. Manoria, S. Manoria, "Dynamics of Industrial Relations in India", Himalaya, New Delhi, 2002.
 - S. Dayal, "Industrial Relations System in India", Sterling, New Delhi, 1980.
5. ● I. Dayal, "Management Training Organisations", Prentice Hall, New Delhi, 1989.
- V.V. Giri, "Labour Problems in Indian Industry", Asia Publishing House, Bombay, 1972.
6. ● Pocket book of labour statistics 2003-04
- [www. thehoot.org](http://www.thehoot.org)
- "Labour Laws", Taxman, New Delhi 2004.
- E.A. Ramaswamy, "Labour Vs Management", Business India, June – 1 – 14, 1987.
- E.A. Ramaswamy, "What Unions Bargain For", Business India, Oct. 6-19, 1986.
- C.S. Srivastava, "Industrial Relations Machinery", Deep and Deep, New Delhi, 1983.
- E.A. Ramaswamy, "The Worker and His Union", Delhi, Allied, 1977.
- E.A. Ramaswamy, "Workers Consciousness and Trade Union Response", Oxford, New Delhi, 1988.
- Pramod Verma, "Management of Industrial Relations", Oxford IBH, New Delhi, 1981.
7. ● Ramaswamy E.A., Uma Ramaswami, "Industry and Labour", Oxford, New Delhi, 1981.
- Pramod Verma, Surya Mookerji, "Trade Unions in India", Oxford, New Delhi, 1982.
- N.N. Chatterjee, "Industrial Relations in India", Allied, New Delhi, 1984.
- C.B. Manoria, S. Manoria, "Dynamics of Industrial Relations in India", Himalaya, New Delhi, 1995.
8. ● R. Freeman, J. Medoff, "What do unions do?" Basic Books, New York 1984.
- B. R. Virmani, "Managing people in organisations", Response Books, Sage, New Delhi 2000.

9. ● C. S. Venkataratnam, P. Sinha, "Trade Union Challenges", Excel Books, New Delhi, 2000.
- B. Jain, "Sinking Unions Talk of Swimming Together", Economic Times, 9 Mar 2000.
- "Labour References", Business Standard, Editorial 25, Nov 2001.
- M. Bhatt, "Unions and Splits", Business India, August 11-24, 1997.
- M. Narula, "Reformns without Labour", 24-Dec 7, 2003.
10. ● "Labour Laws", Taxman, New Delhi, 2004.
- H.L. Kumar, "Labour Problems and Remedies", Universal Law Publishers, New Delhi, 2004.
- Government of India, Pocket Book, "Labour Statistics, Labour Bureau, Ministry of Labour", Simla, 2003-04.
11. ● A. Celestine, "Two Faces of Indian labour", Business World, 1 March, 2004.
12. ● J.J. Oechslim, "Employer's Organisations", International Organisation of Employees, Geneva, 1990.
- J.P. Windmulla, A. Gladstone (Eds), "Employers, Organisations and Industrial Relations", Clarendon Press, Oxford, 1984.

Internet Sources

1. www.nirb.gov/index.html
2. www.uaw.org
3. www.twu.com
4. www.aflcio.org
5. www.apwu.org
6. www.lpa.org
7. www.adr.org
8. www.ilr.cornell.edu
9. <http://www.hrq.com>

Review Questions

1. What are the important causes of labour unrest in India? Account for the phenomenal unrest in India after Independence. Briefly outline the post – liberalisation industrial relations scene in India.
2. What do you mean by 'strike' and 'lock-out'? What are their causes?
3. Write notes on:
 - Works Committee
 - Standing Orders
 - Code of Discipline
 - HRD approach to Industrial Relations

4. Define workers' participation in management and discuss its importance in the context of Indian economy.
5. Explain the machinery for the prevention and settlement of industrial disputes in India.
6. Can workers' participation in management improve the relations between the employers and the employees?
7. What do you mean by industrial relations? What measures would you suggest to improve industrial relations in a firm?
8. Critically examine the legal framework for industrial dispute resolution in India. In what specific ways does the existing system inhibit collective bargaining?
9. Distinguish between arbitration and adjudication. Give reasons for the failure of arbitration in India.
10. Critically examine the institutional provisions for the resolution of industrial disputes within the legal framework in India.
11. What is an industrial dispute? How does it adversely affect the workers, the management and the nation as a whole?
12. Outline the major obstacles that stand in the way of a rapid growth of genuine collective bargaining in India.
13. Examine the current state of labour-management relations in India. What measures would you suggest to make these more cooperative?
14. Discuss the objectives and functions of trade unions in India.
15. What is a trade union? How can you make trade unions an effective tool for human relations in India?
16. State briefly the weaknesses of trade unions in India . What should be done to strengthen the trade union movement in the country?
17. Are unions necessary? Should unions be recognised? If yes, how? What should be done to improve trade union finances?
18. Should the Indian industry have a single trade union? Why?
19. How are unions striving to save jobs in the LPG (Liberalisation, Privatisation, Globalisation) era?
20. Why have labour and management tended to treat each other as adversaries in the Indian labour relations system?
21. State the reasons for the formation of Employers' Associations in India, tracing their origin and growth.
22. Do you think that when compared to Labour Unions, Employers' Associations have met the expectations of their members? If yes, how? If not, state the reasons.
23. Employers' Associations are "rich mens' poor club". Comment:
24. In the light of challenges brought about by new technology, methods and processes, do you think the employer-employee relationship has changed completely? If yes, did the Labour Unions and EAs learn to dance with the times?

Discussion Questions

1. Do you think the right of the workers to strike is a fundamental right – as guaranteed in the Constitution of India? Why and Why not?
2. Can an employer demand a written undertaking from the striking workmen not to repeat such an act after a strike is called off?
3. Can a minority union raise a demand or challenge the existing settlement arrived at with the unions representing majority of workers?
4. Can a temporary worker claim retrenchment compensation under the Industrial disputes Act?
5. Will partial stoppage of work amount to strike?
6. What is the distinction between a 'closure' and a lock-out?
7. "The law makes it possible for the employer to use the unions favourably disposed towards him as a counteracting force against an independent, and hostile trade union during the conciliation process". Comment.
8. The L P G (Liberalisation, Privatisation and Globalisation) era has virtually compelled both labour and management to have a relook at their collective roles and discharge their duties with sufficient care and caution. Discuss.
9. 'The trade union movement in India has not developed along healthy lines'. Comment.
10. Do you think that trade unions in India have served the objectives for which they were formed? Why and Why not?
11. In the face of technological, competitive, political and social changes, do you visualise a constructive role for trade unions in the years ahead?
12. Is life better today for the average Indian worker as a result of unions? Discuss.
13. Is union influence on the decline? If yes, illustrate your arguments with examples from the corporate world.
14. What kind of actions should unions initiate to cope with contemporary challenges they face?
15. What factors are encouraging unions and management in India to adopt more cooperative strategies today?
16. "The seeds of the union movement lay in employees who had to work tortuously long hours received poor working conditions and faced a rigid authoritarianism that gave management the right to hire, fire and control employees' lives in an almost capricious manner". Discuss.

**DISPUTE RESOLUTION AND
GRIEVANCE MANAGEMENT****O U T L I N E**

1. Introduction
2. Model Grievance Procedure
3. Grievance Management in Indian Industry
4. Discipline: Three interpretations
5. Approaches to Discipline
6. Disciplinary Action
7. Punishment
8. Dismissal and Discharge
9. Essentials of a Good Disciplinary System
10. Empowerment
11. Alternative Approaches to Participation

Introduction

Every employee has certain expectations which he thinks must be fulfilled by the organisation he is working for. When the organisation fails to do this, he develops a feeling of discontent or dissatisfaction. When an employee feels that something is unfair in the organisation, he is said to have a grievance. According to Jucius, a grievance is "any discontent or dissatisfaction, whether expressed or not, whether valid or not, arising out of anything connected with the company which an employee thinks, believes or even feels to be unfair, unjust or inequitable."

Features

If we analyse this definition, some noticeable features emerge clearly:

- a. A grievance refers to any form of discontent or dissatisfaction with any aspect of the organisation.
- b. The dissatisfaction must arise out of employment and not due to personal or family problems.
- c. The discontent can arise out of real or imaginary reasons. When the employee feels that injustice has been done to him, he has a grievance. The reasons for such a feeling may be valid or invalid, legitimate or irrational, justifiable or ridiculous.
- d. The discontent may be voiced or unvoiced. But it must find expression in some form. However, discontent per se is not a grievance. Initially, the employee may

complain orally or in writing. If this is not looked into promptly, the employee feels a sense of lack of justice. Now the discontent grows and takes the shape of a grievance.

- e. Broadly speaking, thus, a grievance is traceable to perceived non-fulfillment of one's expectations from the organisation.

Forms of Grievances

A grievance may take any one of the following forms: (a) factual, (b) imaginary, (c) disguised.

- a. **Factual:** A factual grievance arises when legitimate needs of employees remain unfulfilled, e.g., wage hike has been agreed but not implemented citing various reasons.
- b. **Imaginary:** When an employee's dissatisfaction is not because of any valid reason but because of a wrong perception, wrong attitude or wrong information he has. Such a situation may create an imaginary grievance. Though management is not at fault in such instances, still it has to clear the 'fog' immediately.
- c. **Disguised:** An employee may have dissatisfaction for reasons that are unknown to himself. If he/she is under pressure from family, friends, relatives, neighbours, he/she may reach the work spot with a heavy heart. If a new recruit gets a new table and almirah, this may become an eyesore to other employees who have not been treated likewise previously.

Causes

Grievances may occur for a number of reasons:

- a. **Economic:** Wage fixation, overtime, bonus, wage revision, etc. Employees may feel that they are paid less when compared to others.
- b. **Work environment:** Poor physical conditions of workplace, tight production norms, defective tools and equipment, poor quality of materials, unfair rules, lack of recognition, etc.
- c. **Supervision:** Relates to the attitudes of the supervisor towards the employee such as perceived notions of bias, favoritism, nepotism, caste affiliations, regional feelings, etc.
- d. **Work group:** Employee is unable to adjust with his colleagues; suffers from feelings of neglect, victimisation and becomes an object of ridicule and humiliation, etc.
- e. **Miscellaneous:** These include issues relating to certain violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leave, medical facilities, etc.

Effects

Grievances, if they are not identified and redressed, may adversely affect workers, managers and the organisation as a whole. The effects are:

- i. On production include:
 - Low quality of production.
 - Low quantity of production and productivity.

- Increase in the wastage of material, spoilage/breakage of machinery.
 - Increase in the cost of production per unit.
- ii. On the employees:
- Increases the rate of absenteeism and turnover.
 - Reduces the level of commitment, sincerity and punctuality.
 - Increases the incidence of accidents.
 - Reduces the level of employee morale.
- iii. On the managers:
- Strains the superior-subordinate relations.
 - Increases the degree of supervision, control and follow up.
 - Increases in indiscipline cases.
 - Increase in unrest and thereby machinery to maintain industrial peace.

Need for a Grievance Procedure

Thus, grievances affect not only the employees and managers but also the organisation as a whole. In view of these adverse effects, the management has to identify and redress the grievances in a prompt manner. If the individual grievances are left ignored and unattended, there is a danger that these grievances may result in collective disputes. They affect the employee morale adversely. Hence, it is essential to have a proper grievance handling procedure for the smooth functioning of the organisation.

Advantages of having a Grievance Handling Procedure

The following are some of the distinct advantages of having a grievances handling procedure:

- a. The management can know the employees' feelings and opinions about the company's policies and practices. It can feel the 'pulse' of the employees.
- b. With the existence of a grievance handling procedure, the employee gets a chance to ventilate his feelings. He can let off steam through an official channel. Certain problems of workers cannot be solved by first line supervisors, for these supervisors lack the expertise that the top management has, by virtue of their professional knowledge and experience.
- c. It keeps a check on the supervisor's attitude and behaviour towards their subordinates. They are compelled to listen to subordinates patiently and sympathetically.
- d. The morale of the employees will be high with the existence of proper grievance handling procedure. Employees can get their grievances redressed in a just manner.

The Discovery of Grievances

Grievances can be uncovered in a number of ways. Gossip and grapevine offer vital clues about employee grievances. Gripe boxes, open door policies periodic interviews, exit surveys could also be undertaken to uncover the mystery surrounding grievances. These methods are discussed below:

- a. **Observation:** A manager/supervisor can usually track the behaviours of people working under him. If a particular employee is not getting along with people, spoiling materials due to carelessness or recklessness, showing indifference to commands, reporting late for work or is remaining absent – the signals are fairly obvious. Since the supervisor is close to the scene of action, he can always find out such unusual behaviours and report promptly.
- b. **Grievance procedure:** A systematic grievance procedure is the best means to highlight employee dissatisfaction at various levels. Management, to this end, must encourage employees to use it whenever they have anything to say. In the absence of such a procedure, grievances pile up and explode in violent forms at a future date. By that time things might have taken an ugly shape altogether, impairing cordial relations between labour and management. If management fails to induce employees to express their grievances, unions will take over and emerge as powerful bargaining representatives.
- c. **Gripe boxes:** Gripe boxes may be kept at prominent locations in the factory for lodging anonymous complaints pertaining to any aspect relating to work. Since the complainant need not reveal his identity, he can express his feelings of injustice or discontent frankly and without any fear of victimisation.
- d. **Open door policy:** This is a kind of walk-in-meeting with the manager when the employee can express his feelings openly about any work-related grievance. The manager can cross-check the details of the complaint through various means at his disposal.
- e. **Exit interview:** Employees usually leave their current jobs due to dissatisfaction or better prospects outside. If the manager tries sincerely through an exit interview, he might be able to find out the real reasons why 'X' is leaving the organisation. To elicit valuable information, the manager must encourage the employee to give a correct picture so as to rectify the mistakes promptly. If the employee is not providing fearless answers, he may be given a questionnaire to fill up and post the same after getting all his dues cleared from the organisation where he is currently employed.
- f. **Opinion surveys:** Surveys may be conducted periodically to elicit the opinions of employees about the organisation and its policies.

It is better to use as many channels as possible, if the intention is to uncover the truth behind the curtain.

Essential Pre-requisites of a Grievance Procedure

Every organisation should have a systematic grievance procedure in order to redress the grievances effectively. As explained above, unattended grievances may culminate in the form of violent conflicts later on. The grievance procedure, to be sound and effective should possess certain pre-requisites:

- a. **Conformity with statutory provisions:** Due consideration must be given to the prevailing legislation while designing the grievance handling procedure.
- b. **Unambiguity:** Every aspect of the grievance handling procedure should be clear and unambiguous. All employees should know whom to approach first when they have a grievance, whether the complaint should be written or oral, the maximum time in which the redressal is assured, etc. The redressing official should also know the limits within which he can take the required action.

- c. **Simplicity:** The grievance handling procedure should be simple and short. If the procedure is complicated it may discourage employees and they may fail to make use of it in a proper manner.
- d. **Promptness:** The grievance of the employee should be promptly handled and necessary action must be taken immediately. This is good for both the employee and management, because if the wrong doer is punished late, it may affect the morale of other employees as well.
- e. **Training:** The supervisors and the union representatives should be properly trained in all aspects of grievance handling beforehand or else it will complicate the problem.
- f. **Follow up:** The Personnel Department should keep track of the effectiveness and the functioning of grievance handling procedure and make necessary changes to improve it from time to time.

Steps in the Grievance Procedure

- a. **Identify grievances:** Employee dissatisfaction or grievance should be identified by the management if they are not expressed. If they are ventilated, management has to promptly acknowledge them.
- b. **Define correctly:** The management has to define the problem properly and accurately after it is identified/acknowledged.
- c. **Collect data:** Complete information should be collected from all the parties relating to the grievance. Information should be classified as facts, data, opinions, etc.
- d. **Analyse and solve:** The information should be analysed, alternative solutions to the problem should be developed and the best solution should be selected.
- e. **Prompt redressal:** The grievance should be redressed by implementing the solution.
- f. **Implement and follow up:** Implementation of the solution must be followed up at every stage in order to ensure effective and speedy implementation.

Model Grievance Procedure

The Model Grievance Procedure suggested by the National Commission on Labour involves six successive time-bound steps each leading to the next, in case of dissatisfaction. The aggrieved worker in the first instance will approach the foreman and tell him of his grievance orally. The foreman has to redress his grievance and if the worker is not satisfied with this redressal, he can approach the supervisor. The supervisor has to provide an answer within 48 hours. In the event of the supervisor not giving an answer or the answer not being acceptable to the worker, the worker goes to the next step. At this stage the worker (either alone or accompanied by his departmental representative) approaches the Head of the Department who has to give an answer within three days. If the Departmental Head fails to give an answer or if the worker is not satisfied with his answer, the worker may appeal to the Grievance Committee, consisting of the representatives of the employer and employees. The recommendations of this Committee should be communicated to the Manager within seven days from the date of the grievance reaching it. Unanimous decisions, if any, of the committee shall be implemented by the management. If there is no unanimity, the views of the members of the Committee shall be placed before the manager for his

decision. The manager has to take a decision and inform the worker within three days.

The worker can make an appeal against the manager's decision and such an appeal has to be decided within a week. A union official may accompany the worker to the manager for discussion and if no decision is arrived at this stage, both the union and management may refer the grievance to voluntary arbitration within a week of the receipt of the management's decision. The worker in actual practice, may not resort to all the above mentioned steps. For example, if the grievance is because of his dismissal or discharge he can resort to the second step directly and he can make an appeal against dismissal or discharge. The above process depicted in Figure 19, below.

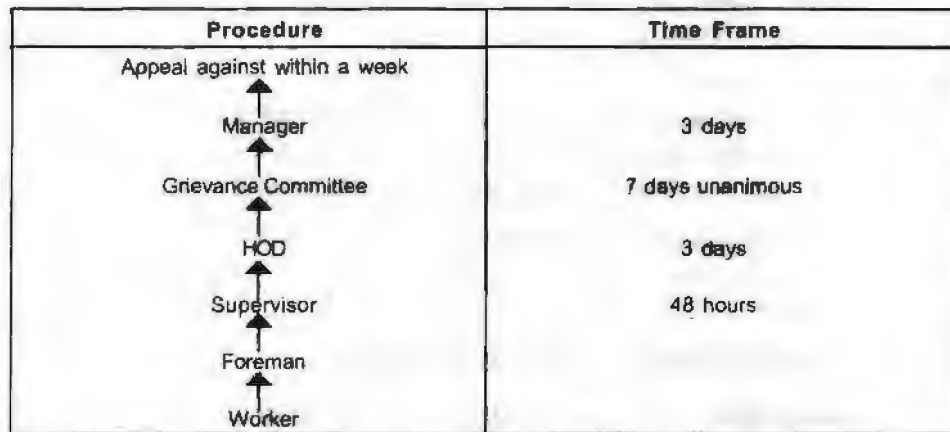


Figure 19: Model Grievance Procedure

Grievance Management in Indian Industry

At present, there are three legislations dealing with grievances of employees working in industries. The Industrial Employment (Standing Orders) Act, 1946, requires that every establishment employing 100 or more workers should frame standing orders. These should contain, among other things, a provision for redressal of grievances of workers against unfair treatment and wrongful actions by the employer or his agents. The Factories Act, 1948, provides for the appointment of a Welfare Officer in every factory ordinarily employing 500 or more workers. These welfare officers also look after complaints and grievances of workers. They also look after proper implementation of the existing labour legislation. Besides, individual disputes relating to discharge, dismissal or retrenchment can be taken up for relief under the Industrial Disputes Act, 1947, amended in 1965.

However, the existing labour legislation is not being implemented properly by employers. There is lack of fairness on their part. Welfare officers have also not been keen on protecting the interests of workers in the organised sector. In certain cases, they are playing a double role. It is unfortunate that the public sector, which should set up an example for the private sector, has not been implementing labour laws properly.

In India, a Model Grievance Procedure was adopted by the Indian Labour Conference in its 16th session held in 1958. At present, Indian industries are adopting either the Model Grievance Procedure or procedures formulated by themselves with modifications in the Model Grievance Procedure. In other words, the grievance procedures are mostly voluntary in nature.

Guidelines for Handling Grievances

The following guidelines may help a supervisor while dealing with grievances. He need not follow all these steps in every case. It is sufficient to keep these views in mind while handling grievances (W. Baer, 1970).

- Treat each case as important and get the grievance in writing.
- Talk to the employee directly. Encourage him to speak the truth. Give him a patient hearing.
- Discuss in a private place. Ensure confidentiality, if necessary.
- Handle each case within a time frame.
- Examine company provisions in each case. Identify violations, if any. Do not hold back the remedy if the company is wrong. Inform your superior about all grievances.
- Get all relevant facts about the grievance. Examine the personal record of the aggrieved worker. See whether any witnesses are available. Visit the work area. The idea is to find where things have gone wrong and who is at fault.
- Gather information from the union representative, what he has to say, what he wants, etc. Give short replies, uncovering the truth as well as provisions. Treat him properly.
- Control your emotions, your remarks and behaviour.
- Maintain proper records and follow up the action taken in each case.
- Be proactive, if possible. Companies like VSP, NALCO actually invite workers to ventilate their grievances freely, listen to the other side patiently, explain the reasons why the problems arose and redress the grievances promptly.

Discipline: Three Interpretations

Negative Discipline

Traditionally, discipline is intercepted as a sort of check or restraint on the freedom of a person. Discipline is used to refer to the act of imposing penalties for wrong behaviour. If employees fail to observe rules, they are meted out punishment. The fear of punishment puts the employee back on rails. Negative disciplinary action involves techniques such as fine, reprimand, transfer, demotion, lay off etc. Negative discipline does not eliminate undesirable behaviours, rather it merely suppresses them for a while. It requires constant supervisory attention, resulting in wastage of time and resources. Punishment, moreover, is counter productive in that the affected employee may turn hostile and react violently at a future date. While disciplining employees this way, therefore, management should proceed in a cautious manner.

Positive Discipline

Employees comply with rules not out of fear of punishment but out of an inherent desire to cooperate and achieve goals. Where the organisational climate is marked by two-way communication, clear goals, effective leadership, and adequate compensation, employees need not be disciplined in the traditional way. There is a conscious cooperative effort on the part of management to secure compliance to company norms from the employees. Positive discipline, according to Spriegel enables an employee, "to have a greater freedom in that he enjoys a greater degree of self-expression in striving to

achieve the group objective, which he identifies as his own.”

Positive discipline, thus, is a condition of orderliness where employees willingly practice self control and respect organisational rules.

The differences between the two approaches may be summarised thus:

Table 54: The Differences between Positive and Negative Discipline

Point	Negative Discipline	Positive Discipline
Concept	It is adherence to established norms and regulations, out of fear of punishment.	It is the creation of a conducive climate in an organisation so that employees willingly conform to the established rules.
Conflict	Employees do not perceive the corporate goals as their own.	There is no conflict between individual and organisational goals.
Supervision	Requires intense supervisory control to prevent employees from going off the track.	Employees exercise self control to meet organisational objectives.

Self-Discipline and Control

The third interpretation considers discipline as a constructive way of correcting undesirable employee behaviours. It is a kind of training that “corrects, moulds, or perfects knowledge, attitudes, behaviour or conduct.” It is used to correct poor employee performance rather than simply as punishment for an offence. Behavioural scientists view discipline as a self-control to meet organisational objectives. Megginson clarified the term thus: “By self-discipline is meant the training that corrects, moulds and strengthens. It refers to one’s efforts at self-control for the purpose of adjusting oneself to certain needs and demands. This form of discipline is based on two psychological principles. First, punishment seldom produces the desired results. Often, it produces undesirable results. Second, a self-respecting person tends to be a better worker than one who is not”.

Misconduct or Indiscipline

Misconduct is violation of established rules and procedures. It is an act which is prejudicial to the interests of the organisation. It is a serious form of indiscipline against the management. The scope of misconduct can be extended to the following cases where the employee:

BOX 57: COMMON DISCIPLINARY PROBLEMS

<p>Attendance-related problem problems</p> <ul style="list-style-type: none"> ● Unexcused absence ● Chronic absenteeism ● Leaving without permission ● Excessive tardiness <p>Dishonesty and related problems</p> <ul style="list-style-type: none"> ● Theft, unsafe acts ● Falsifying employment application ● Wilfully damaging factory assets against supervisors ● Falsifying work records 	<p>Off the Job behaviour</p> <ul style="list-style-type: none"> ● Insubordination ● Smoking ● Fighting with colleagues ● Gambling, betting ● Carelessness ● Sleeping while at work ● Using abusive language ● Sexual harassment
--	--

Contd...

Performance related problems

- Failure to complete assigned work
- Producing substandard products
- Failure to meet production norms
- Accepting bribes, gifts

Causes of Indiscipline

Mostly non-cooperation results in indiscipline. Various factors like social, economic and cultural also play a significant role in causing indiscipline. Henry Fayol observed that, "discipline is what the leaders make it". Many times indiscipline is due to managerial faults, lapses, thoughtless words, deeds and poor management.

The common causes of indiscipline are:

- a. **Absence of effective leadership:** Absence of effective leadership results in poor management in the areas of direction, guidance, instructions, etc., This, in turn, leads to indiscipline.
- b. **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. These unfair management practices gradually result in indiscipline.
- c. **Communication barriers:** Communication barriers alongwith absence of upward communication, absence of humane and understanding approach on the part of superiors result in frustration and leads to indiscipline.
- d. **Non-uniform disciplinary action:** Management has to treat all cases of indiscipline in a fair and equitable way. But management may undertake disciplinary actions in a discriminating way, leading to violent protests from various quarters (especially while dealing with people who are close to management).
- e. **Divide and rule policy:** Managers may often divide the employees into groups, get the information from different groups about others and encourage the spying activity. Henri Fayol pointed out that dividing enemy forces to weaken them is clever, but dividing one's own team is a grave sin against the business. Building a team is highly difficult when compared to dividing the team. Dividing the team results in indiscipline.
- f. **Inadequate attention to personnel problems** and delay in solving personnel problems creates frustration among individual workers.
- g. **Victimisation** and excessive pressures on the work of the subordinate may also lead to indiscipline.

Approaches to Discipline

There are two ways of dealing with employees who do not obey rules, indulge in acts that are not permitted and tend to fly off the hook at the slightest provocation: i.e., positive discipline approach and the progressive discipline approach. The best discipline is clearly self discipline, when most people understand what is required at work.

Positive Discipline Approach

This approach builds on the philosophy that violations are actions that usually can be corrected without penalty. In this approach, the focus is on fact-finding and guidance to encourage desirable behaviours instead of using penalties to discourage undesirable behaviours. There are three steps to positive discipline. The first is a conference between the employee and the supervisor. The purpose of this meeting is to arrive at a solution to the problem through discussion, with oral assurance by the employee to improve his performance. If improvement is not made after this first step, the supervisor holds a second conference with the employee to find why the solution agreed to in the first meeting did not produce results. At this stage a written reminder is handed over to the employee. This document details an agreed solution with an affirmation that improvement is the responsibility of the employee and a condition of continued employment. When both meetings fail to produce the desired results, the employees is given a paid leave for one day to decide his future in the organisation. The employee is expected to come back the next day with a decision to make a total commitment to improve performance or to quit the organisation. These three stages are depicted in Box 58:

BOX 58: STEPS IN POSITIVE DISCIPLINE

Step 1: An Oral Reminder	Notice here that the word <i>warning</i> is removed. The oral reminder , supported by written documentation, serves as the initial formal phase of the process to identify to the employee what work problems he or she is having. This reminder is designed to identify what is causing the problem and attempts to correct it before it becomes larger.
Step 2: A Written Reminder	If the oral reminder was unsuccessful, a more formalised version is implemented. This written reminder once again reinforces what the problems are and what corrective action is necessary. Furthermore, specific time tables that the employee must accept and abide by, and the consequences for failing to comply, are often included.
Step 3: A Decision-making Leave	Here, employees are given a decision-making leave —time off from work, usually with pay—to think about what they are doing and whether or not they desire to continue work with the company. This “deciding day” is designed to allow the employee an opportunity to make a choice—correct the behaviour, or face separation from the company.

Progressive Discipline Approach

In this approach, discipline is imposed in a progressive manner, giving an opportunity to the employee to correct his or her misconduct voluntarily. The technique aims at nipping the problem in the bud, using only enough corrective action to remedy the shortcoming. The sequence and severity of the disciplinary action vary with the type of offence and the circumstances surrounding it. Progressive discipline is quite similar to positive discipline in that it too uses a service of steps that increase in imaginary and security until the final steps. However, positive discipline replaces the punishment used in progressive discipline with counselling sessions between employee and supervisor.

The concept of progressive discipline states that penalties must be appropriate to the violation. If inappropriate behaviour is minor in nature and has not previously occurred, an oral warning may be sufficient. If the violation requires a written warning, it must be done according to a procedure. After written warnings, if the conduct of the employee is still not along desired lines, serious punitive steps could be initiated. Major

violations such as hitting a supervisor may justify the termination of an employee immediately.

In order to assist a manager to recognise the proper level of disciplinary action, some firms have formalised the procedure. One approach in the establishment of progressive disciplinary action is shown in Figure 20.

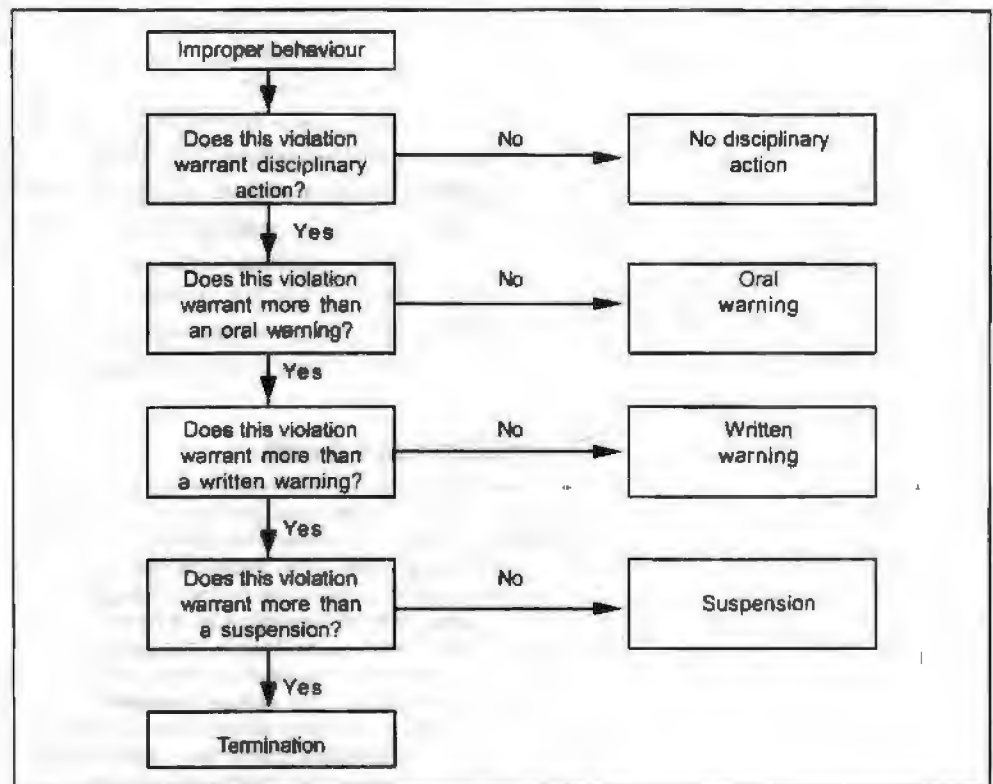


Figure 20: The Progressive Discipline Approach

The Red Hot Stove Rule

Without the continual support of subordinates, no manager can get things done. But, disciplinary action against a delinquent employee is painful and generates resentment on his part. Hence, a question arises as to how to impose discipline without generating resentment? This is possible through what Douglas McGregor called the “Red Hot Stove Rule”, which draws an analogy between touching a hot stove and undergoing discipline.

According to the Red Hot Stove rule, disciplinary action should have the following consequences:

- Burns immediately:** If disciplinary action is to be taken, it must occur immediately so the individual will understand the reason for it. With the passage of time, people have the tendency to convince themselves that they are not at fault.
- Provides warning:** It is very important to provide advance warning that punishment will follow unacceptable behaviour. As you move closer to a hot stove, you are warned by its heat that you will be burned if you touch it.
- Gives consistent punishment:** Disciplinary action should also be consistent in that everyone who performs the same act will be punished accordingly. As with a hot stove, each person who touches it is burned the same.

- d. **Burns impersonally:** Disciplinary action should be impersonal. There are no favourites when this approach is followed.

Judicial Approach to Discipline in India

The Industrial Employment (Standing orders) Act was passed in 1946 with a view to improve the industrial relations climate. The Act requires that all establishments must define the service rules and prepare standing orders. The term 'Standing orders' refers to the rules and regulations which govern the conditions of employment of workers. They indicate the duties and responsibilities on the part of both the employer and the employees. The standing orders contain rules relating to: classification of employees, working hours, holidays, shift working, attendance, leave, suspension, termination, stoppage of work, redressal of grievances against unfair treatment, etc. Thus, standing orders specify the terms and conditions which regulate the employee-employer relationship within a unit. Any violation or infringement of these terms and conditions may lead to misconduct or indiscipline.

BOX 59 : MAJOR ACTS OF MISCONDUCT

- does not discharge his duties properly, remains absent without leave
- indulges in acts which are unsafe for the employer
- is grossly immoral, dishonest
- is insulting, abusive and disturbs the peace of others
- is unfaithful, corrupt, disloyal
- indulges in theft, fraud, bribery
- does not obey orders
- resorts to illegal strike
- causes wilful damage to property, etc.

The Industrial Disputes Act 1947 (as amended in 1982) prescribes an elaborate procedure for discharging a delinquent employee even on grounds of serious misconduct. Likewise, the Payment of Wages Act places restrictions on the imposition of fines on an accused employee. The legal position is quite clear. The employee should get a chance to explain the grounds under which he violated the standing orders. There must be a proper enquiry as per the principles of natural justice before resorting to punishment.

Disciplinary Action

Though there is no rigid and specific procedure for taking a disciplinary action, the disciplinary procedure followed in Indian industries usually consists of the following steps:

- a. **Issuing a letter of charge:** When an employee commits an act of misconduct that requires disciplinary action, the employee concerned should be issued a charge sheet. Charges of misconduct or indiscipline should be clearly and precisely stated in the charge sheet. The charge sheet should also ask for an explanation for the said delinquent act and the employee should be given sufficient time for answering this.
- b. **Consideration of explanation:** On getting the answer for the letter of charge served, the explanation furnished be considered and if it is satisfactory, no disciplinary action need be taken. On the contrary when the management is not

satisfied with the employee's explanation there is a need for serving a show-cause notice.

- c. **Show-cause notice:** Show-cause notice is issued by the manager when he believes that there is sufficient prima facie evidence of employee's misconduct. However, this gives the employee another chance to account for his misconduct and rebut the charges made against him. Enquiry should also be initiated by first serving him a notice of enquiry indicating clearly the name of the enquiring officer, time, date and place of enquiry, etc.
- d. **Holding of a full-fledged enquiry:** This must be in conformity with the principle of natural justice, that is, the employee concerned must be given an opportunity, of being heard. When the process of enquiry is over and the findings of the same are recorded, the Enquiry Officer should suggest the nature of disciplinary action to be taken.
- e. **Making a final order of punishment:** Disciplinary action is to be taken when the misconduct of the employee is proved. While deciding the nature of disciplinary action, the employee's previous record, precedents, effects of disciplinary action on other employees, etc., have to be considered.

When the employee feels that the enquiry conducted was not proper and the action taken is unjustified, he must be given a chance to make an appeal.
- f. **Follow up:** After taking the disciplinary action, a proper follow up action has to be taken and the consequences of the implementation of disciplinary action should be noted and taken care of.

Principles of Natural Justice and Domestic Enquiry

Before taking disciplinary action against a worker, management must hold a domestic enquiry, following the principles of natural justice. The principle of natural justice states that no man should be held guilty without getting an opportunity to explain his point of view. It states that the worker be given a fair chance:

- to present evidence of his own choice;
- to cross examine the management's evidence;
- to explain his point of view without any pressure or fear.

The enquiry must be conducted by an impartial person who is fully conversant with the intricacies and procedures of domestic enquiries. Then a notice of enquiry has to be issued to the worker, giving the time, date and place of enquiry and the name of the person holding the enquiry. The worker is supposed to come to the place of enquiry with supportive evidence and witness of his choice at the appointed time and date. The charges made by the employer against the employee are explained to the worker. If the worker agrees with the charges made against him, the enquiry is dropped. If he pleads innocent, the proceedings continue in the presence of the accused. During the course of enquiry, examination and cross examination should be free and proper and all documents are open to be seen by the parties. If the worker does not turn up at the appointed date and time, the proceedings are held ex-parte. The findings of the enquiry are then conveyed to management in writing. Before taking any punitive action, management should keep in view the gravity of misconduct. The punishment awarded should not be out of proportion to the misconduct of the employee. The order of punishment has to be handed over to the worker immediately. If the punishment does not seem to be fair, the worker can go to the labour court or industrial tribunal.

Punishment

Depending on the gravity of misconduct, management may initiate the following punitive actions against the employee who is found guilty: (i) dismissal; (ii) discharge; (iii) discharge simpliciter; (iv) suspension; (v) demotion to a lower grade; (vi) withholding of increments; (vii) fine; and (viii) warning/censure. Of these, suspension, discharge or dismissal may be classified as major punishments, while awarding a fine, warning or censure are regarded as minor punishments. In establishments where the Industrial Employment (Standing order) Act is applicable, the employer can award only those punishments which are mentioned in the Standing Orders. The object of punishing an employee in a minor way is to express the concern of the employer for maintaining discipline in the establishment. Oral warnings, written censure, fines, etc., all aim at preventing the employee from going off the track. The fine may hit the take-home-pay of the employee, warnings may be entered in his personal record, loss of increment has an element of shame attached to it and demotion may be extremely humiliating for the delinquent employee. Discharge simplicitor means termination of an employees' services for loss of confidence and trust and does not carry the stigma of misconduct. Major punishment such as suspension, discharge and dismissal need further elaboration and are hence discussed separately here.

Suspension

Suspension means prohibiting an employee from attending work, preventing him from discharging the duties assigned to him and withholding the wages payable to him. Suspension does not imply termination of services of an employee: it only means denial of work to him. When the act of misconduct of an employee is considered serious, he is suspended (called as procedural suspension) and an enquiry is ordered to find out whether he is really guilty or not. Sometimes the employee may be suspended, even before issuing a charge-sheet so as to prevent him from tampering with the records of the organisation. The employer is obliged to pay a subsistence allowance (one half of basic wage + dearness and compensatory allowances) to the delinquent employee for a period of 90 days. If the enquiry goes beyond 90 days, the allowance is increased to three fourths of the employees' normal emoluments. Minor offences like late coming, sleeping while at work, smoking in prohibited places, etc., do not invite serious punishments like suspension unless the employee repeats the offences habitually. Where standing orders are in force the rules for suspending an employee are mentioned therein and are expected to be followed scrupulously.

Dismissal and Discharge

The end result of both the terms – discharge and dismissal – is same, that is, the employee's services stand terminated. In practical usage, both terms are therefore used interchangeably. Some minor differences, however, are worth mentioning here. While dismissal is a sort of punishment against alleged misconduct, discharge is not always a punishment. When the employer examines all background factors leading to the termination of services of an employee, he may simply discharge the employee instead of dismissing him. Dismissal has a negative connotation and carries a punitive label alongside. A person who is dismissed from service may find it difficult to find alternative employment, when compared to a person who is discharged from service. In case of discharge, the errant employee may be served a reasonable, advance notice. This is not so in the case of dismissal where the services are terminated immediately. In case of dismissal, the employer can withhold the dues payable to the employee whereas in case of discharge, usually all these are settled simultaneously.

Finally, before dismissing an employee, the employer has to hold disciplinary proceedings (domestic enquiry) in a proper way. In case of discharge, he may or may not go for it.

The grounds for dismissing an employee are clearly stated in Industrial Disputes Act, 1947 (as amended in 1982) and the Industrial Employment (Standing Orders) Act, 1946 – such as wilful insubordination, theft, fraud, dishonesty, habitual late coming, habitual neglect of work, wilful damage to property, disorderly violent behaviour, striking work in violation of rules, taking bribes, etc.

Essentials of a Good Disciplinary System

To avoid conflict and lawsuits, managers must administer discipline properly. This entails ensuring that disciplined employees receive due process. Due process is based on the notion that employees have the right to be fairly treated, particularly when being disciplined. Effective discipline, again, should be aimed at the behaviour, not at the employee personally, because the reason for discipline is to improve performance. Some of the factors lending weight to effective disciplinary procedures in an organisation may be listed thus?

1. **Rules and performance criteria:** Employees should be aware of the rules and standards and the consequences of violating them.
2. **Documentation of the facts:** Managers should gather a convincing amount of evidence to justify any disciplinary action. This evidence should be carefully documented so that no one can find fault with the process followed.

BOX 60: DOCUMENTATION OF EMPLOYEE MISCONDUCT

The maintenance of accurate and complete work records is an essential part of an effective disciplinary system. For documentation to be complete, the following items should be included:

- date, time and location of incident(s)
- negative performance or behaviour shown by the employee—the problem
- consequences of that action on employee's own performance and its impact on others.
- first meeting with employee explaining the problem and securing commitment (orally or otherwise)
- second meeting with employee seeking written explanation as to why improvement has not taken place.
- the employee's reaction to supervisory advice, counselling.
- the names of witnesses to the incident(s).

[C.A. Waterman and T.A. Meginn, "Investigating Suspect Employees", HR Magazine, 38, Jan 1993]

3. **Consistent response to rule violations:** It is important for employees to believe that discipline is administered consistently, predictably, and without discrimination or favoritism.
4. **Training of supervisors:** Training supervisors and managers on how and when discipline should be used is important.
5. **Prompt action:** Effective discipline is immediate. The longer the time that transpires between the offence and the disciplinary action, the less effective the discipline will be.
6. **Impersonal discipline:** Effective discipline is handled impersonally by focusing on behaviours, not on the person. The objective should be to correct undesirable, behaviours and not merely punishing the delinquent employee. Make disciplinary action corrective rather than punitive.

7. **Reasonable penalty:** It is desirable for discipline to be progressive beginning with an oral warning and proceeding through a written warning, suspension followed by dismissal in most serious cases.
8. **Follow-up:** Organisational policies, procedures and rules should be appraised at regular intervals to ensure that they are in tune with the times. If a particular rule is violated time and again (e.g., no smoking), it should be examined thoroughly to discover and remove the causes of such violations. Continual infractions may require a different type of discipline from that applied to isolated instances of misconduct.

Empowerment

In 1985, there were 23 people in Swedish Car-maker Volvo's quality department. Most employees believed that quality was the responsibility of the quality department. To break this traditional belief top management empowered rank and file workers with the authority needed to improve quality. Channels of communication were made more flexible and open. Quality has become everyone's job. By 1988, wastage had been considerably reduced, leading to considerable savings in manufacturing cost. The number of people in the quality department dropped to 12 and their responsibilities shifted from inspection to teaching, coaching and empowering (Krantz, 1989). Pick up any popular business periodical, and you are likely to find interesting profiles of managers whose roles have changed considerably. They are being called coaches, advisors, sponsors and facilitators. The dividing line between the roles of managers and workers has become very thin. You will find in progressive, pro-active organisations decision-making authority being pushed to lower levels where workers are given a free hand to decide about schedules, procedures and work-related issues – all by themselves. In early 1980s managers encouraged workers to participate in work-related decisions. Now managers let employees make decisions at all levels of an organisation without seeking approval from 'upstairs'. Simply stated, managers are asking employees to take charge of what they do. The idea behind empowerment is quite simple. People who do the job for years together are in the best position to learn how to do that job the best way. So, when there is a chance to improve it, people should go ahead and carry out improvements without getting the stamp of approval from the manager.

Empowerment, thus, is the authority to take decisions within one's area of operations without having to get approval from anyone else. Here the operatives are encouraged to use their initiative to do things the way they like. To this end, the employees are given not just authority but resources as well so that they not only take decisions but implement them quickly. This empowerment means giving the employees the authority to make decisions and providing them with financial resources to implement these decisions.

Conditions Necessary for Empowerment

There are four basic conditions necessary for empowerment to gain credibility and acceptance at various levels in an organisation. These are discussed below (JH Dobbs, 1993).

- a. **Participation:** Workers must be encouraged to take the initiative. To this end, the bureaucratic hurdles that come in the way must be removed. Proper training should be given to employees so that they can participate more actively and make things happen.

- b. **Innovation:** Management must encourage employees to try out new ideas and make decisions that help in finding new and improved ways of doing things. Even when employees fail in their attempts to break the mould of custom, the words of encouragement must come the same way, so that they begin to feel that failures are stepping stones to success. One day, with such a supportive management, they are sure to ride the tidal wave of success.
- c. **Information:** Employees must have free access to information and resources that they need to nurture their talents. If they need additional training in putting the classified information to use, it should be offered readily.
- d. **Accountability:** Empowered employees should be held accountable for results. This step is not intended to identify their black spots and single them out for punishment. The intent, instead, is to see that they are giving their best efforts, working toward mutually-agreed goals and behaving responsibly towards each other. When employees exhibit such behaviours, they are encouraged to go the same way at their own 'comfortable pace'.

A wide variety of companies, nowadays have undertaken interventions to empower employees at various levels, such as quality circles, autonomous work groups quality of work life councils, etc. These are discussed briefly in the next section.

Alternative Approaches to Participation

Quality Circles

A quality circle is a small group of employees who meet periodically to identify, analyse and solve quality and other work-related problems in their area. Generally speaking members of a particular circle should be from the same work area, or who perform similar work so that the problems they select will be familiar to all of them. The ideal size of the group is six to eight members. The size should not be too big so as to prevent members from interacting actively and contribute meaningfully in each meeting. The main features of a quality circle are as follows:

- a. **Voluntary group:** It is a voluntary group of employees. Members join the circle on their own. There is no pressure from management.
- b. **Manageable size:** Size of a quality circle varies between six to ten. Members generally hail from a particular work area.
- c. **Regular meetings:** Members meet at periodic intervals to discuss quality-related problems. They assemble during normal working hours usually at the end of the working day. The time for the meetings is usually fixed in advance, in consultation with the manager. As a rule of thumb, meetings occur once a week and each meeting lasts for about an hour.
- d. **Own agenda:** Each circle has its own agenda. It has its own terms of reference, selects its own problems and offers recommendations for solving them.
- e. **Exclusive focus on quality:** The quality circle, by its very nature, exists to identify, analyse and solve quality related problems. The ultimate purpose is to improve organisational functioning and thereby the quality of working life.

Summary

- A grievance refers to any form of discontent or dissatisfaction, arising out of employment, regarding certain organisational issues.
- A grievance may be factual, imaginary or disguised.
- If grievances are not identified and redressed properly, they may adversely affect the workers, managers and the organisation.
- Grievances may be uncovered through observation, gripe boxes, an open door policy, exit interviews and opinion surveys.
- The model grievance procedure suggested by the National Commission on Labour involves six successive time-bound steps each leading to the next, in case of dissatisfaction.
- 'Discipline' refers to a procedure that corrects or punishes a subordinate because a rule or procedure has been violated.
- The common causes of indiscipline are absence of effective leadership, unfair management practices, communication barriers, divide and rule policies, victimisation etc.
- Most organisations today use two important concepts in meting out disciplinary action: progressive discipline and positive discipline.
- In a progressive discipline system, the employee is given ample warning of performance or other work-related problems. Failure to change his or her behaviour is accompanied by increasingly harsher disciplinary action. Due process is based on the action that employees have the right to be treated fairly particularly when being disciplined.
- Positive discipline, based upon reminders, is a cooperative discipline approach where employees accept responsibility for the desired behavioural change. The focus is on coping with the unsatisfactory performance and dissatisfactions of employees before the problems become major.
- Because of legal concerns, managers must understand discipline and know how to administer it equitably. General guidelines in administering discipline include making disciplinary actions corrective, making disciplinary actions progressive, and following the hot-stove rule – be immediate, provide ample warning, be consistent, and be impersonal.
- Empowerment implies granting employees power to initiate change, thereby encouraging them to take charge of what they do.
- Empowerment allows employees to take the initiative, try out new ideas, use resources freely, and work toward predetermined goals independently.

Terminology

- **Grievance:** Any discontent or dissatisfaction, whether expressed or not, whether valid or not, arising out of anything connected with the company which employee thinks, believes or even feels to be unfair.
- **Whistle blowing:** Employee disclosure of an employer's illegal, immoral or illegitimate practices to persons or organisations that may be able to take connective actions.

- **Just cause:** Sufficient justification for taking employment related actions.
- **Due process:** In employment matters, the opportunity for individuals to explain and defend their actions against charges of misconduct or other reasons.
- **Right to privacy:** Defined in legal terms for individuals as the freedom from unauthorised and unreasonable intrusion into their personal affairs.
- **Employment at will:** The right of an employer to fire an employee without giving reason and the right of an employee to quit when he or she chooses.
- **Misconduct:** Violation of established rules and norms of behaviour (both formal and informal).
- **Standing orders:** Service rules and other agreed terms of employment certified by an authority as per the provisions of the Industrial Employment (Standing orders) Act, 1946.
- **Discipline:** In a restricted sense, it is the act of imposing penalties for wrong behaviour; broadly speaking, it is orderliness, conformance to established rules and codes of conduct.
- **Wrongful discharge:** Occurs when an employer terminates an individual's employment for reasons that are illegal or improper.
- **Downsizing:** The process of reducing, usually dramatically, the number of people employed by the firm.
- **Suspension or layoff:** A situation in which the employees are temporarily taken off work, being told there is no work for them but that management intends to recall them when work is available. (Applicable only to lay-off; in suspension, the employee is not allowed to work until departmental enquiry leads to further course of action, spanning a range of possibilities from reinstatement to dismissal.)
- **Dismissal:** Termination from employment for any of the misconducts mentioned in the Industrial Employment (Standing orders) Act, 1946.
- **Termination interview:** The interview in which an employee is informed of the fact that he or she has been dismissed.
- **Grievance mediation:** Process where a neutral party assists in the resolution of an employee grievance (that is moving toward or is actually at impasse)
- **Arbitration award:** Final and binding award issued by an arbitrator in a labour – management dispute.
- **Domestic enquiry:** An opportunity provided to an accused person to defend himself by presenting his own witnesses and other evidence.
- **Lock-out:** Temporary closure of a unit.
- **Red-hot stove rule:** The theory that discipline should be immediate, consistent, and impersonal, and should include a warning.

References

1. M.J. Jucius, "Personnel Management", Richard D. Irwin, Homewood, 1997.
2. M. Carrell, C.H. Avrin, "Labour Relations and Collective Bargaining", Upper Saddle River, NJ. Prentice Hall, 2001.

3. ● D.Q. Mills, "Labour-Management Relations, New York, McGraw-Hill, 1994.
- J. Fossum, "Labour Relations", Chicago, IL., Irwin, 1995.
- W. Holley, K. Jennings, "The Labour Relations Process", Fort worth, Tx., Dryden Press, 1994.
4. ● R. Allen, T. Keavany, "Contemporary Labour Relations", Reading, M.A., Addison-Wesley, 1988.
- Clyde Summers, "Protecting all employees against unjust dismissal", Harvard Business Review. Jan-Feb 1980
5. Walter Baer, "Grievance Handling", 101 Guides for Supervisors, AMA, New York, 1970.
6. ● J. Brad Chapman, "Constructive Grievance Handling", in M. Gene Newport, Supervisory Management, St Paul, MN: West publishing Co., 1976.
- M. Lurie, "The Eight Essential Steps in Grievance Processing", Dispute Resolution Journal, 54, 1999.
7. ● D.C. Mosley et al., "Supervisory Management", Cincinnati: South Western, 1997.
- J. Rodeken, "Employee Discipline", Washington, Bureau of National affairs, 1989.
- A.W. Bryant, "Replacing punitive discipline with a positive approach", Personnel Administrator, 29, 1984.
- E.L. Harvey, "Discipline vs. Punishment", Management Review, 76, 1987.
8. ● B.P. Sunoo, "Positive discipline: sending the right or wrong message". Personal Journal, 75, August 1996.
- D.A. Deceno, S.P. Robbins, Human Resource Management, John Wiley & Sons, 2002.
9. P. Falcone, "The Fundamentals of Progressive Discipline", HR Magazine. 42, Feb 1997.
10. P. Falcone, "About a Formal Approach to Progressive Discipline", HR Magazine, 1998.
11. R.D. Ramsey, "Guidelines for the Progressive Discipline of Employees", Supervision, Feb 1998.
12. D. Core., "Discipline without Punishment", New York, American Management Association, 1996.

Internet Sources

1. For data on substance abuse
www.health.org
2. Effective discipline
<http://www.grotecom.com>

Review Questions

1. Bring out the differences between positive and negative discipline.
2. Define the term 'grievance'. How would you try to uncover grievances?
3. Discuss the model grievance procedure that is applicable in India. What are the essential pre-requisites of a grievance procedure?
4. Outline the various forms of indiscipline and examine the factors leading to discipline.
5. Explain what you mean by the Principles of Natural Justice. Describe how the process of domestic enquiry fulfils those principles.
6. Write notes on
 - Suspension
 - Dismissal
 - Red hot stove rule
7. Why has the positive approach to discipline been useful in reducing employee lawsuits?
8. Explain why documentation is so important in the disciplinary process. What constitutes correct documentation?
9. Describe progressive and positive discipline noting the differences between these two approaches.
10. What types of disciplinary problems attract severe punishment generally? Why?
11. Under what conditions should dismissal be used as a penalty?
12. What is the purpose of discipline? How can we ensure that this purpose is achieved?
13. Do you think the positive approach to discipline would help in reducing employee lawsuits? Why and why not?
14. 'Empowerment grows when stumbling blocks to satisfying employee needs are removed'. Do you agree or disagree? Why?
15. What is empowerment? What are its facilitators and barriers?

Discussion Questions

1. 'Justice delayed is justice denied'. Comment with reference to the handling of grievances.
2. Discuss the importance of grievance redressal as against grievance avoidance.
3. 'An effective grievance handling procedure is preventive rather than curative'. Comment.
4. How can management know, understand and resolve employee grievances?
5. Nobody is guilty unless proven otherwise. How far this is true as far as domestic enquiry is concerned?

6. Effective discipline can have a positive effect on the productivity of employees. Discuss.
7. If you were asked to develop a policy on discipline, what topics would you include in that policy?
8. "You can't discipline employees today the way you could a generation ago". Do you agree or disagree? Discuss.

HEALTH AND SAFETY MANAGEMENT**O U T L I N E**

- | | |
|-----|---|
| 1. | Introduction |
| 2. | Need |
| 3. | Legal Provisions Regarding Health |
| 4. | Measures to Promote Employee Health |
| 5. | Employee Assistance Programmes |
| 6. | Emotional Problems |
| 7. | Employee Safety |
| 8. | Accidents in the Factory: Causes and Prevention |
| 9. | Effective Safety Management |
| 10. | Legal Provisions Regarding Safety (Sec. 24 to 40) |

Introduction

Organisations are obliged to provide employees with a safe and healthful environment. Health is a general state of physical, mental and emotional well being. Safety is protection of a person's physical health. The main purpose of health and safety policies is the safe interaction of people and the work environment. Poor working conditions affect employee performance badly. Employees may find it difficult to concentrate on work. It would be too taxing for them to work for longer hours. Their health may suffer. Accidents and injuries may multiply causing enormous financial loss to the company. Absence and turnover ratios may grow. A company with a poor safety record may find it difficult to hire and retain skilled labour force. The overall quality of work may suffer. Many deaths, injuries and illnesses occur because of safety violations, poor equipment design or gross negligence. The Union Carbide accident in Bhopal, for example, which killed over 4,000 people in 1984, is considered by most experts to be the result of equipment design flaws which could have been avoided. Union labour ministry's records place companies in Maharashtra and Gujarat as the most dangerous places to work, with over 25,000 and 13,000 accidents respectively. The biggest offenders are generally from jute mills, lead battery manufactures, chemical units, textile mills, match and fireworks industry especially in Sivakasi, automotive industry, sugar crushing units, mining, heavy construction, flour mills, etc.

Need

Industrial health is essential to:

- Promote and maintain the highest degree of physical, social and mental well being of workers.
- Improve productivity and quality of work.

- Reduce accidents, injuries, absenteeism and labour turnover.
- Protect workers against any health hazard arising out of work or conditions in which it is carried on.

The following table indicates the primary health and safety responsibilities of the HR department and line managers.

Table 55: Typical Health and Safety Responsibilities

HR Unit	Managers
<ul style="list-style-type: none"> ● Coordinates health and safety programmes ● Develops safety reporting system ● Offers accident investigation expertise ● Provides technical expertise on accident prevention ● Develops restricted- access procedures and employee identification systems ● Trains managers to recognise and handle difficult employee situations 	<ul style="list-style-type: none"> ● Monitor health and safety of employees daily ● Coach employees to be safety conscious ● Investigate accidents ● Observe health and safety behaviour of employees ● Monitor workplace for security problems ● Communicate with employees to identify potentially difficult employees ● Follow safety provisions and security procedures and recommend changes as needed

Legal Provisions Regarding Health

The Factories Act, 1948, lays emphasis on the following preventive measures (Sec. 11 to 20)

1. **Cleanliness (11):** Every factory shall be kept clean and free from effluvia. Dirt must be removed daily. Benches, staircases, passages and the floor of the workroom must be cleaned daily so that there is no accumulation of dirt. Workroom floors must be washed at least once a week, with some disinfecting fluid. Walls, partitions, ceilings, doors, windows, etc., be painted, varnished periodically.
2. **Wastes (12):** There must be effective arrangements for the disposal and/ or treatment of waste and effluents.
3. **Ventilation and temperature (13):** Every workroom in the factory must have proper natural ventilation, permitting circulation of fresh air. The room temperature should be kept at a level comfortable to workers. The walls and roofs should be of such material and of such design so as to keep the temperature low. High temperature may be controlled by whitewashing, spraying and insulating the factory premises by screening outside walls, windows and roofs.
4. **Dust and fumes (14):** Effective arrangements must be made to prevent or reduce the inhalation and accumulation of dust and fumes. Exhaust appliances should be employed near the place of origin of dust and fumes.
5. **Artificial humidification (15):** In cotton textile and cigarette manufacturing units where artificial humidification is used, State Government rules should be followed. Water used for artificial humidification must be properly purified.
6. **Overcrowding (16):** No room in the factory should be overcrowded. There should be at least 14.2 cubic meters of space for every workman.
7. **Lighting (17):** The factory must have sufficient and suitable lighting arrangements – both natural and artificial glazed windows and skylights used to

light the workroom should be kept clean. Provisions should be made for the prevention of glare and the formation of shadows in the work spot.

8. **Drinking water (18):** The factory must provide wholesome drinking water at suitable, convenient points. All such points are marked 'drinking water' clearly in a language understood by majority of workers. Every such point should be away (not within 6 meters range) from urinals, latrine, spittoons, open drains, etc. Where the factory employs more than 250 employees, suitable arrangements must be made to provide cool drinking water during the hot summer months.
9. **Latrines and urinals (19):** The latrines and urinals are (a) maintained separately for male and female workers, (b) having sufficient enclosed space, (c) conveniently situated and accessible to all workmen, (d) adequately lighted and ventilated, (e) cleanly kept at all times, (f) maintained properly by employing sweepers for this purpose.
10. **Spittoons (20):** A sufficient number of spittoons should be provided at convenient places in every factory and these should be maintained in a clean and hygienic condition.

Measures to Promote Employee Health

Health promotion at the work place may be broadly defined as any effort to prevent disease or premature death through behavioural and organisational change. Health promotion focuses on prevention rather than treatment or cure. Therefore the health programme at the company is planned around improvement and prevention of controllable risk factors such as smoking, obesity, high level of cholesterol, stress, hypertension and low level of physical fitness, which are responsible for most major diseases. Promoting health consciousness is not an easy task. It requires continuous education, systematic campaign and genuine support from top management. Before the company starts planning for the programme, it must investigate the needs and resources of both the employees and the organisation. The planning programme, basically, involves five steps: setting goals, developing the plan, allocation of resources, implementation and evaluation of the plan. The core health promotion activities may cover such areas as:

- i. Healthy living
- ii. Eating wisely
- iii. Exercise and Physical fitness
- iv. Smoking cessation
- v. Stress management
- vi. Protecting one-self from workplace hazards.

The initial effort and investment required to institute such health promotion programmes may prove to be quite heavy but the long run rewards are quite fruitful: improvements in employees health result in better work attitudes, higher morale, job satisfaction, reduced absenteeism and turnover.

BOX 61: COMPONENTS OF A TYPICAL WELLNESS PROGRAMME (EPSTEIN)

The basic objective of wellness programmes is to help employees build lifestyles that will help them to achieve their full physical and mental potential. Such a programme is built around the following things:

- Educating employees about health-risk factors such as high blood pressure, smoking, high cholesterol levels, diabetes, a sedentary lifestyle, obesity, stress, poor nutrition etc.
- Identifying the health- risk factors that each employee faces
- Helping employees eliminate or reduce these risks through healthier lifestyles and habits
- Enabling employees to self monitor and evaluate where they stand from time to time.

Employee Assistance Programmes

One method that companies are using as a broad-based response to health issues is the employee assistance programme (EAP) which offers counselling and other help to employees having emotional, physical or other personal problems. In such a programme, the company establishes a liaison with a social service counselling agency. Employees who have problems may then contact the agency either voluntarily or by employer referral – seeking emotional support and even physical help. The counselling expenses are often paid by the employer either fully or upto prescribed limit. EAPs generally cover the following areas:

Personnel Crises and Workplace Violence: The most prevalent problems among employees are personal crises involving material, family, financial or legal matters. Unable to bear the emotional stress caused by such unresolved issues, most employees

BOX 62: PROFILE OF A POTENTIALLY VIOLENT EMPLOYEE

Features	Consequences	Supervisory/ Outside support	Preventive Steps
<ul style="list-style-type: none"> ● Frustration ● History of aggression ● Loner ● Stress ● Temper loss ● Angry most of the time 	<ul style="list-style-type: none"> ● Verbal threats ● Blaming others ● Picking fights ● Intimidating ● Upset over minor injustices ● Assaultive physical actions 	<ul style="list-style-type: none"> ● Talk to employee ● Allow the person to vent some of the hostility and anger ● Involve HR experts or trained counsellors in the wellness programme. 	<ul style="list-style-type: none"> ● Consult specialists who would help formulate a plan for identifying, defusing and recovering from a violent act. ● Establish a procedure for investigating any potentially violent talk or action. ● Set up a crisis management team to take decisions quickly (counselling the victim, handling media etc.) ● Train supervisors and managers so that they can identify the warning signals early, and resolve conflicts smoothly. ● Help employees adjust to changes such as downsizing, VRS, retrenchment etc. ● Be aware of potential risks and respond appropriately. When the employee threatens to kill somebody, take it seriously and respond proactively instead of presuming that he will not indulge in such atrocious behaviour.

may turn violent, beat up colleagues (or even supervisors) and destroy company property. Careful pre-employment screening, proper conflict resolution programmes, anonymous reporting by colleagues spotting such violent behaviours, increased security provisions including an emergency alarm would help in managing work place violence in a better way. A supervisor is in the best position to handle such charged circumstances through sympathetic listening. In most cases, he can extend the best help by being understanding and supportive and by helping the violent employee find the type of assistance he or she needs.

When confronted by an angry, potentially explosive employee, the supervisor would do well to take note of the following suggestions advanced by one expert: (i) make eye contact, (ii) stop what you are doing and give full attention, (iii) speak in a calm voice and create a relaxed environment, (iv) be open and honest, (v) let the person have his or her way, (vi) find out what the person is upset about, seeking specific examples, (vii) be careful to define the problem, (viii) explore all sides of the issue, (ix) listen sympathetically, patiently showing lot of support and understanding all the time.

Emotional Problems

When personnel crises remain unresolved, the stress and tension arising there from may lead to a mood disorder like depression. Depression is the decrease in functional activity followed by symptoms like gloominess, sadness and low spirits. Depression lowers individual productivity, causes morale problems, increases absenteeism and drives people toward alcohol, and even take illegal drugs. Depressed employees are difficult to handle in that they show signs of irritation, carry guilt feelings, and indulge in verbal abuse. Supervisors should play the role of an attentive, sympathetic listener when confronted with a depressed employee. He should offer immediate emotional support and see that the irritants causing mood disorders in the employee are properly identified. Before matters go out of control (where the depressed soul would cause accidents or hit back colleagues violently), the supervisor should seek professional help-instead of attempting to play the role of an amateur psychologist.

Alcoholism and Drug Abuse

Alcoholism is an intercontinental nuisance now. Due to alcoholism, business and industry suffer staggering losses every year. The disease typically starts with social drinkers getting out of control. As the disease progresses, the alcoholic loses control over when, where and how much to drink. Meanwhile, the employer would suffer on account of decreased productivity, higher absenteeism and increased medical bills. It is therefore in the best interests of every company to educate supervisors about the disease and strictly instruct them to detect the early signs of alcoholism and train them to counsel employees. Many companies (like Bank of America, Dupont, Eastman Kodak, General Motors have in-house alcoholism programmes) generally prefer a four-step procedure known as constructive confrontation: The supervisor in this case:

- Confronts the employee with evidence
- Provides coaching to improve the employee's performance
- Encourages the employee to contact the Employee Assistance Programme.
- Continues to inform the employee of the consequences of continued unsatisfactory performance.

Drug abuse is a much more serious problem as it is more likely to be accompanied by theft because users need to raise money to buy drugs. In both cases, the organisation

should help the affected employees to overcome the problem through in-house counselling or referred to an external agency. If an employee fails to cooperate, the disciplinary process could be initiated. This typically includes harsh steps such as suspension, discharge or dismissal.

Employee Safety

The main purpose of effective safety programmes in an organisation is to prevent work – related injuries and accidents. A well managed factory will see to it that there are no physical hazards such as (i) slipping and falling hazards, (ii) collision and obstruction hazards (iii) equipment hazards, (iv) fire hazards (v) hazards from falling objects, etc.

- i. **Slipping, tripping, or falling on the floor hazards:** People fall when they slip. Highly polished surfaces, accumulation of water, soap, or oil, etc., on the floor, torn or loose coverings cause the floor to be slippery.
- ii. **Obstruction and collision hazards:** When the factory layout and space management are poor, it results in improper placement of furniture and equipment causing collision of employees with equipment and machinery, tables, chairs, etc. Further, overcrowding and a narrow space for movement also results in accidental collision between employees.
- iii. **Equipment hazards:** Quite often, unguarded moving parts, wiring, switches and cards, edges of metal equipment, etc., can cause injuries to employees working in these surroundings. Further, waste paper baskets, lobbies, plumbing fixtures and small snail carts also cause problems for employees. All these should be guarded against.
- iv. **Hazards from falling objects:** When file cabinets, lockers and shelves are not properly placed, they could fall on employees and injure them. Also, the stocked materials, paper stands, when placed on the working tables might fall on employees.
- v. **Fire hazards:** The places where paperwork is heavy and precautionary measures taken are nil, the possibilities of accidents are high. Improper disposal facilities for smokers, lack of provision of safety cans for inflammable materials, non-existence of fire escapes and exits are the factors that contribute to fire accidents. It is necessary for the manager to see that fire protection equipment and fire extinguishers are available at all times in the factory.

Table 56: Occupational Hazards and Diseases

Hazards	Particulars
1. Chemical substances	Carbon monoxide, carbon dioxide, hydrocarbons, sulphur dioxide, sulphuric acid, acetic acid, etc., cause injury when they are absorbed by the skin or when they are inhaled. Workers may suffer from respiratory and skin diseases, allergy, cancer, neurological disorders, etc.
2. Gases, Fumes	Gases, Fumes and dust in stone quarries, lead/zinc smelters, coal mining cause diseases of various kinds
3. Biological hazards	Diseases may be caused by bacteria, fungi, viruses, insects, excessive drinking, dietary deficiencies, allergies, emotional stress, worry and anxiety.
4. Environmental Hazards	These include radiation, noise, vibrations, shocks and improper atmospheric conditions. X rays and radioactive exposure may lead to eye strain, genetic disorders, cancer, sterility or even death. High noise levels may impair the hearing capacity of workers; vibrations and shocks may cause nerve injuries; inadequate lighting and ventilation may cause fatigue and eye-strain and reduce the efficiency of workers drastically.

Accidents in the Factory: Causes and prevention

There are two basic causes of workplace accidents, apart from chance occurrences, which are beyond management's control: unsafe conditions and unsafe acts. Unsafe conditions include such facts as: improperly guarded equipment, defective equipment, dangerous procedures in or around machines or equipment, congestion and overloading, improper illumination and ventilation. In addition to these, other work-related factors may also cause accidents. The job itself might be quite dangerous (e.g., crane operator vs an accountant) long work schedules might lead to fatigue and cause accidents. The psychological climate of the workplace may be quite hostile (for example, seasonal lay off, reduced wages due to poor demand, etc.) Accidents may be the result of unsafe acts such as: throwing materials, operating machines at unsafe speeds; making safety devices inoperative by removing, adjusting, disconnecting them; using unsafe equipment or employing equipment improperly; using unsafe procedures in loading, placing, mixing, combining, lifting improperly, taking unsafe positions under suspended loads; distracting, testing, abusing, starting quarrelling, horseplay, etc. Workers' personality traits may complicate the issue further especially if they have a tendency to take high risks, suffer from poor vision and emotional instability, etc.

BOX 63: WHAT CAUSES ACCIDENTS?

- Improperly guarded equipments
- Defective equipment, machines
- Unsafe storage: congestion, overloading
- Improper illumination: glare, insufficient light
- Improper ventilation
- Falls on stairs, ladders, walkways
- Congested workplace
- Unsafe acts such as throwing materials
- Unsafe procedures in loading, placing or mixing or by lifting improperly
- People with impaired vision; under the influence of drugs or alcohol; and who exhibit negative, violent behaviours

[D. Hoffmann A. Stetzer, A cross level investigation of factors influencing unsafe behaviours and accidents. *Personnel Psychology*, 49, 1996.]

Indian Scenario

Apart from mechanical failures, unsafe physical conditions, employee ignorance and negligence there could be several other reasons leading to industrial accidents in India. There are, of course, innumerable laws governing employee safety (such as the Factories Act, the Indian Electricity Act, the Pesticides Act, the Boiler Act, the Environment Protection Act etc.) but the elaborate provisions contained therein are not strictly enforced. Often the inspectors, appointed for this purpose are made to cover lot of ground, leaving very little time for a stringent inspection of various factories within their jurisdiction (each inspector covering more than 150 factories on an average in a year). To compound the problems further, the inspectors are more than willing to bend the rules for a price. They are ready to approve anything and everything if the employer is willing to please them. As a result we have large factories employing hundreds of workers without fire fighting equipment, and safety devices. The private sector is, not surprisingly, guilty of negligence on the safety front. They are mostly concerned about cutting costs on all fronts – to remain competitive – instead of protecting the lives of workers. The employment of women and child labour on dangerous machines is another complicating factor (especially in cracker manufacturing units in and around Sivakasi).

Role of Supervisors

Supervisors have a great role to play in reducing unsafe conditions and unsafe acts. For example, a supervisor in a ball-bearing plant may discharge his health and safety responsibilities thus: Reminding an employee to wear safety goggles, checking on the cleanliness of the workspot, observing employees to see if any of them have alcohol, drug or emotional problems that may affect their work behaviour and suggesting equipment changes (such as screens, railings or other safety devices) to safety experts in the factory. He can reduce unsafe acts by screening out accident prone persons before they are selected. Safety training, propaganda through posters, framing safety rules, regular inspections may also help supervisors in making employees more safety – conscious. Where employees carry out repetitive operations, they are likely to pay less attention to their tasks or they develop bad work habits that can cause accidents and injuries. One way to deal with worker's boredom and monotony is to redesign the job. Studies could also be undertaken to look into fatigue factors, lighting, tools, equipment layout, etc., so as to improve the work environment and climate of employees.

Effective Safety Management

Effective safety management considers the type of safety problems, accidents, employees and technology in the organisational setting. The role of human beings in safety related problems should also be looked into. Safety efforts will not be successful if we try to engineer machines without paying attention to behavioural reactions of employees. A comprehensive approach to safety includes the following steps:

1. **Safety policy:** Every factory must formulate and implement a safety policy. The objective of such a policy should be to eliminate or reduce accidents and injuries in the workplace.
2. **Top management support:** The safety policy must be supported by top management fully. Safety commitment should begin with top management. The commitment manifests itself in top managements' being personally involved in safety activities in a routine way; giving safety matters top priority in company meetings and production scheduling, giving company safety officer high rank and status and including safety training in new workers' training.
3. **Safety committee:** To promote safety consciousness among employees, safety committees could be constituted, under the chairmanship of a safety officer. The committee should consist of representatives from workers and supervisors from various departments and levels. It must meet regularly to conduct safety reviews and make recommendations for changes necessary to avoid future accidents.
4. **Safety discipline motivation:** Safety rules must be enforced strictly. Violations should not be tolerated. Frequent reinforcement of the need for safe behaviour and feedback on positive safety practices have been found to be extremely effective in improving workers' safety. Rewards and certificates could be offered to employees for good safety records. To promote employee involvement and motivation, safety contests could be held followed by incentives for safe work behaviour.
5. **Safety engineering:** To minimise workplace accidents, proper engineering procedures could be followed. Fencing of machinery, adequate space between machines, parts and equipment, use of material handling equipment, safety

devices, proper maintenance of machines, etc., are undertaken to prevent accidents from occurring.

6. **Safety training and communications:** Safety training can also reduce accidents. It is especially useful in case of new recruits. Training in safe practices, procedures, material handling, first aid, fire prevention etc., could be offered to them. Posters, newsletters, displays, slogans and signs could also be used to promote safety consciousness throughout the organisation. Another way to communicate safety ideas is through safety films and videotapes.
7. **Accident investigation and research:** When accidents takes place, they should be thoroughly investigated to find the actual reason (poor lighting, poor ventilation, wet floor etc.) as early as possible. Such an early probe is necessary to ensure that conditions under which the accident occurred have not changed significantly. Photographs, videotapes could be used to gain better view of the actual scene. In the next step, the injured employee or his supervisors should be interviewed to find out what happened and how the accident occurred. In the third place, an accident investigation report should be prepared indicating what has happened and recommending steps to prevent similar accidents from occurring.
8. **Evaluation of safety effort:** Organisations should monitor and evaluate safety efforts by conducting safety audits at intervals. Accident and injury statistics should be periodically compared with previous accident patterns to find any important changes. This analysis should be designed to measure progress in safety management.
9. **Governmental support:** To extend support to safety-related activities the Government of India established the National Safety Council in 1966. The principal job of this council is to promote safety consciousness at the plant level and conduct safety programmes. The national Safety Day is celebrated every year to signify the foundation day of the council. National safety awards are given every year to industrial units for ensuring accident-free environments.

Legal Provisions Regarding Safety (Sec. 24 to 40)

The Factories Act, 1948, puts emphasis on the following safety provisions:

1. **Fencing of machinery (21):** In every factory, the dangerous parts of any machines shall be securely fenced.
2. **Work on or near machinery in motion (22):** For examining and lubricating machines while in motion, specially trained workers wearing tight clothes be sent. Such a worker should not be allowed to handle belts of machines in motion without proper precautions. Women and young children should be prohibited from handling such dangerous machines.
3. **Employment of young persons (23):** No young person be allowed to work on dangerous machines unless he is fully instructed about possible dangers and precautions to be followed. Sufficient training be provided in advance and he should be allowed to operate such machines under the guidance of an experienced supervisor.
4. **Striking gear and devices for cutting off power (24):** In every factory suitable striking gear has to be used to move driving belts. Steps should be taken to ensure prevention of the belt from creeping back on to the fast pulleys. Driving belts, when not in use, shall not be allowed to rest or ride on a shaft in motion.

Suitable devices for cutting off power in an emergency shall be maintained in every room. When a device which can inadvertently shift from 'off' to 'on' position is provided in a factory to cut off power, arrangements shall be made to lock it in a safe position with a view to prevent the accidental starting of the transmission machinery or any other machines to which the device is fitted.

5. **Self acting machines (25):** No traversing part of a self acting machine in any factory and no material carried thereon shall be allowed to run on its outward or inward traverse within a distance of 18 inches from any fixed structure which is not a part of the machine, if a person is liable to pass through the space over which it operates.
6. **Casing of new machinery (26):** All machinery, driven by power and installed after 1-4-1949, must be encased or otherwise effectively guarded to eliminate danger to those working in the factory.
7. **Employment of women, children near cotton openers (27):** No woman or child be employed in any part of a factory to press cotton when a cotton opener is working. But if the feed-end of a cotton opener is in a room which is separated from the delivery-end by partition extending to the roof or to such height as the factory inspector may express in writing, women and children may be employed in that part of the room where the feed-end is kept.
8. **Hoists and lifts (28):** In every factory hoists and lifts shall be of a good mechanical construction, sound material and adequate strength and shall be properly protected by enclosures fitted with gates. Once in every six months, it shall be thoroughly examined by a competent person. The maximum safe working load shall be clearly indicated on every hoist or lift. A heavier load shall not be allowed to be carried on that hoist or lift.
9. **Lifting machines, chains and ropes (29):** The lifting machines, tackles, chains and ropes used in every factory should be of good construction, sound material and strong enough to carry the necessary loads.
10. **Revolving machinery (30):** In every room where grinding jobs are performed, a notice showing the maximum working speed of the machine shall be fixed near it. Safe working peripheral speed of every revolving vessel, pulley, basket, flywheel, disc has to be observed and steps should be taken to see that the safe working speed is not exceeded.
11. **Pressure plant (31):** If in any factory operations are carried out at a pressure above the atmospheric pressure, proper measures shall be taken to see that the safe working pressure is not exceeded.
12. **Floors, stairs and means of access (32):** All doors, steps, stairs, passages and gangways shall be of sound construction and maintained in a state of good repair; they shall be free from obstructions likely to cause persons to slip and hand rails shall be provided wherever required. As far as possible, safe means of access to the place of work shall be provided and maintained.
13. **Pits, sumps, openings in floors (33):** Every pit, tank, sump, fixed vessel, opening in the ground or in a floor which is a source of danger, shall be either properly covered or securely fenced.
14. **Excessive weights (34):** No person shall be employed in any factory to lift, carry or move any load which is so heavy as to cause him a possible injury.

15. **Protection of eyes (35):** Effective screens or suitable goggles be given to workers while scrutinising a manufacturing process involving risk of injury to eyes.
16. **Dangerous fumes and gases (36):** No person shall be allowed to enter any chamber, tank, vat, pit or other confined space in which any gas, fume, vapour or dust is likely to be present to a dangerous extent. A person can enter such a place only when it is provided with a manhole of adequate size or other effective means of egress. A person may be allowed to enter such a space only when suitable steps have been taken to remove dangerous fumes. In case of any emergency, suitable breathing apparatus, reviving apparatus, belts and ropes be kept ready. A sufficient number of persons in the factory shall be trained in the use of all such apparatus and in the method of restoring respiration.
17. **Precautions with regard to portable electrical light (36A):** No portable electric light or any other electric appliance of voltage exceeding 25 volts shall be permitted for use inside any chamber, tank, vat, pit, flue or confined place. If any inflammable gas, fume or dust is likely to be present in such chamber, tank, vat, pipe flue or any other confined space, no lamp or light, other than the one which is flame-proof shall be permitted to be used inside the factory.
18. **Explosive or inflammable gas or dust (37):** In the manufacturing process if any dust, gas or fume is likely to explode on ignition, preventive steps should be taken to
 - enclose plant or machinery used in the process
 - remove or prevent the accumulation of such dust, gas, fume or vapour
 - enclose all possible sources of ignition.

Steps should also be taken to restrict the spread or effects of the explosion. When such explosive items need to be opened, the flow of gas or vapour should be stopped through a stop valve, reduce the atmospheric pressure through all practical steps and put the loosened or removed parts in respective locations in a proper way. Welding or soldering of vessels containing explosive material should be done, if necessary, only after removing fumes, vapour, etc., completely.

19. **Precautions in case of fire (38):** All practicable steps should be taken to prevent the outbreak of fire inside the factory. In case of fire, safe escape routes should be there. The exit routes should be marked in an understandable language. Clearly audible warning signals should be given in case of fire. Equipment for extinguishing fire should also be available. Workers should be familiar with the means of escape in case of fire and they should be adequately trained, in advance, in the procedure to be followed in such a case. The chief safety inspector may also prescribe certain other steps to ensure safety of workers. The Inspector may issue an order to the manager of a factory to furnish details of defective parts and also carry out safety drills and inform him of the results (39).
20. **Safety of building and machinery (40):** When a particular building or machinery poses a danger to workers, it shall not be used till it is properly repaired or altered. The Inspector may prohibit the use of a building or machine during the intervening period. He may ask the owner to carry out specific repairs before a particular date – in writing (40 A).
21. **Safety officers (40 B):** A safety officer shall be appointed in every factory employing 1000 or more workers. He should (i) formulate a safety policy to be followed (ii) investigate causes of injuries and circumstances leading to accidents

(ii) organise safety education, training and publicity at various levels and (iv) act as a technician, planner, organiser and stimulator of safety.

The State Government has the power to make rules to supplement the provisions listed above (41).

Summary

- Health is a general state of physical, mental and emotional well-being. Safety involves protecting the physical well-being of people.
- The legal provisions governing health cover areas such as cleanliness, waste disposal, proper ventilation and temperature control, preventing accumulation of dust, avoiding overcrowding, providing wholesome drinking water, proper lighting, having a requisite number of latrines and urinals, etc.
- Health promotion covers areas such as healthy living, physical fitness, smoking cessation, stress management etc.
- Employee assistance programmes offer counselling, medical help and rehabilitation opportunities to all troubled employees.
- The main purpose of effective safety programmes in an organisation is to prevent work-related injuries and accidents.
- Safety members in factories cover slipping and falling hazards, collision and obstruction hazards, equipments hazards, fire hazards, hazards from falling objects etc.
- Supervisors play a great role in reducing unsafe conditions and unsafe acts.
- Effective safety management includes establishing a safety policy, ensuring top management support, creating safety committees, promoting safety discipline, and instituting safety engineering procedures, offering safety training, investigating reasons for accidents thoroughly, and evaluating safety efforts from time to time.
- The legal provisions regarding safety cover areas such as fencing of machinery, not employing young persons near dangerous machines, using safe devices to cut off power, using good hoists and lifts, giving enough room for workers to move around safely, quality flooring, providing ventilators for pumping out fumes, gases; and precautions to be taken to prevent fire accidents etc.

Terminology

- **Health:** A general state of physical, mental and emotional well-being.
- **Safety:** Protection of a person's physical health.
- **Security:** Protection of employer facilities and equipment from unauthorised access and protection of employees while on work premises or work assignments.
- **Troubled employee:** An individual who is confronted by unresolved personal or work-related problems.
- **Employee assistance programmes:** Programmes that provide professional counselling, medical help and rehabilitation opportunities to all troubled employees.
- **Wellness programmes:** Programmes that focus on prevention to help employees build lifestyles that will help them to achieve their full physical and mental potential

- **Workplace aggression:** Efforts by individuals to harm others with whom they work or have worked.
- **Depression:** Negative emotional state marked by feelings of low spirits, gloominess, sadness and loss of pleasure in ordinary activities.
- **Substance abuse:** The use of illicit substance or the use of controlled substances, alcohol or other drugs.
- **Downsizing:** The planned elimination of jobs.
- **Industrial accident:** An occurrence in an industrial establishment causing bodily injury to a person which makes him unfit to resume his duties in the next 48 hours (Factories Act).
- **Industrial injury:** A personal injury to an employee which has been caused by an accident or an occupational disease and which arises out of, or in course of employment.
- **Disablement:** Loss of ability to work or to move.
- **Industrial hygiene:** The promotion and maintenance of highest degree of physical, mental and social well-being of workers.

References

1. ● S.G. Roy, "Managing Industrial Risk", The Economic Times, 10-16 March 1995.
 - S. Bahl, "Investing in Employee Health", The Times of India, 8 May, 1996.
 - S.P.S. Tanwar, "Better safe than sorry", The Times of India, 19 June, 1996.
 - M. Bose, "Woe at the workplace", Business India, Jan 11, 1998.
2. R.L. Mathis, J.H. Jackson, "Human Resource Management", Cincinnati, Ohio, South Western, 2002.
3. ● "Labour Laws", Taxman, New Dehli, 2004.
 - H.L. Kumar, "Labour Problems and Remedies", Universal, New Delhi, 2003.
4. C.B. Manoria, S. Manoria, "Industrial Health and Safety", Chap 10, New Delhi, Himalaya, 2000.
5. "Here's to your health", HR Focus 73, Jan 1996.
 - S.S.E.P. Stein, "A note on health promotion in workplace". Boston Harvard, Business School, 1989.
6. ● K.M. Hopkins, "Influences on Formal and Informal Supervisor Intervention with Troubled Employees", Employees Assistance Quarterly, 13, 1997.
 - G.L. Wirt, "The A B C of EAPS", HR Focus, 75, Nov 1998.
 - N.E. Isaac, "Corporate Response to Domestic Violence", EAP digest 19, March-April 1999.
7. ● J. Rigdon, "Companies see more Work Place Violence", Wall Street Journal, 12-4-1994.

- H. Bensimon, "Violence in the Workplace", Training and Development, Jan 1994.
 - W.F. Cascio, "Managing Human resources", New Delhi, Tata McGraw-Hill, 2003.
8. ● J. Cook. "Walking Time Bombs", Human resources Executive, Feb 1999.
 - M.P. Coco, "The New warzone: The Workplace", SAM Advanced Management Journal, Winter, 1998.
 9. H.F. Ben Simon, "What to do about Anger in the Workplace", Training and Development, 31, Sep 1997.
 10. ● K.E. Barenklau, "Doing the Right Things Right", Occupational Health and Safety, March 1999.
 - C.S. Philson, "Workplace Safety Accountability", Occupational Health and Safety, April 1998.
 11. S.G. Minter, "Safety Training that Sticks", Occupational Hazards 58, June 1996.
 12. "Workplace Accidents Decrease as Safety Commitment Increases", HR Focus, 71, Sep 1994.

Internet Sources

1. Information regarding Workplace Violence
www.opm.gov
2. To carry out a Job Safety Analysis.visit
<http://www.ncci.com/html/ncfom5.htm>
3. Employee Assistance Services
<http://www.neas.com>
4. Occupational Safety and Health Administration
<http://www.osha.gov/>

Review Questions

1. Explain the legal provisions regarding employee health, under the Factories Act, 1948.
2. How do working conditions affect the health of employees? What steps should be taken to protect employee health?
3. Identify the causes for accidents in the factory. What steps should be taken to ensure industrial safety?
4. Explain what causes unsafe acts. What is the role of a supervisor in safety?
5. Describe at least five techniques for reducing accidents.
6. "Accidents do not just happen, they are caused". Comment.
7. What steps should be taken by management to increase motivation for safety?
8. Should organisations be willing to invest more money in employee wellness? Why or Why Not?

9. Write short notes on:
- Measures to promote health
 - Effective Safety Management
 - Role of Supervisors in Safety Management

Discussion Questions

1. Discuss the following statement by a supervisor; "I feel it is my duty to get involved with my employees and their personal problems to show that I truly care about them."
2. If a supervisor is aware that one of his employees has been under the influence of drugs, which is affecting the employee's performance lately, should the supervisor take any action? Should the employee be paraded before the disciplinary committee constituted for to mend his ways? or should the employee be given time to mend his ways? Discuss the moral implications involved in this situation.
3. To lead a healthier life, doctors say we need to identify those things we currently do that either impair or contribute to our health. Prepare a list of those activities you do that have a beneficial or harmful impact on your health. Discuss with others a way to develop a lifetime programme for a healthy lifestyle.

EMPLOYEE ASSISTANCE PROGRAMME

O U T L I N E

1. Introduction
2. Importance
3. Agencies for Welfare Work
4. Types of Welfare Facilities
5. Statutory Provisions

Introduction

Employee or labour welfare is a comprehensive term including various services, benefits and facilities offered to employees by the employer. Through such generous fringe benefits the employer makes life worth living for employees. The welfare amenities are extended in addition to normal wages and other economic rewards available to employees as per the legal provisions. According to Dr Parandikar, "Labour welfare work is work for improving the health, safety and general well being and the industrial efficiency of the workers beyond the minimum standard laid down by labour legislation". Welfare measures may also be provided by the government, trade unions and non-government agencies in addition to the employer. The basic purpose of labour welfare is to enrich the life of employees and keep them happy and contented. Welfare measures may be both statutory and voluntary. Labour laws require the employer to extend certain benefits to employees in addition to wages. Voluntary benefits are the result of employer's generosity, enlightenment and philanthropic feelings.

BOX 64: SCOPE OF LABOUR WELFARE

- **The Labour Investigation Committee:** Anything done for intellectual, physical, moral and economic betterment of the workers, whether by employers, by government or by other agencies over and above what is laid down by law, or what is normally expected on the part of the contracted benefits for which workers may have bargained."
- **The Committee on Labour Welfare:** Today, welfare is generally accepted by employers. The state steps in to widen the area of applicability only. Welfare is being looked at as a social right of workers. The committee described it as social security measures that contribute to improve the conditions under which workers are employed in India. (1969 Report). Labour welfare includes both statutory as well as non-statutory activities under taken by employers, trade unions and both the central and state governments for the physical and mental development of workers.

Importance

The significance of welfare measures was accepted as early as 1931, when the Royal Commission on Labour stated: The benefits are of great importance to the worker which he is unable to secure by himself. The schemes of labour welfare may be regarded as a wise investment because these would bring a profitable return in the form of greater efficiency.

The working environment in a factory adversely affects the health of employees because of excessive heat or cold, noise, fumes, dust and lack of sanitation and pure air. Such oppressive conditions create health problems for workers. These have to be contained through preventive steps aimed at improving the lot of workers.

A second reason in favour of welfare work is called the 'social invasion of the factory'. Workers face lots of adjustment problems when they take up factory work. The congested environs, noisy machines, slum areas, monotonous jobs impact the psyche of ruralities who come to cities in search of jobs. To escape from such trying conditions, the worker absents himself, becomes irregular and shows signs of indiscipline. Such changes – known as the social invasion of the factory – call for extra inducements in the workplace in addition to normal wages, so that the worker begins to enjoy a fuller and richer life.

Another social reason pointed out by the Labour Investigation Committee reads thus: "the provision of canteens improves the physique; entertainment reduces the incidence of vices; medical aid, maternity and child welfare services improve the health of the workers and bring down the rates of general, maternal and infantile mortality; and educational facilities increase their mental efficiency and economic productivity.

Labour welfare work, thus, serves the following purposes:

- Enables workers to have a richer and more satisfying life
- Raises the standard of living of the workers by indirectly reducing the burden on their pocket. Welfare measures will improve the physical and psychological health of employees, which in turn, will enhance their efficiency and productivity.
- Absorbs the shocks injected by industrialisation and urbanisation on workers.
- Promotes a sense of belonging among workers, preventing them from resorting to unhealthy practices like absenteeism, labour turnover, strike, etc. Welfare work makes the service in mills more attractive to workers. It improves the relations between employers and employees. "It promotes a real change of heart and a change of outlook on the part of both the employers and employees".
- Prevents social evils like drinking, gambling, prostitution, etc., by improving the material, social and cultural conditions of work. Congenial environment as a result of welfare measures will act as a deterrent against such social evils.

Agencies for Welfare Work

There are several agencies involved in labour welfare work. Besides central and state governments, employers, unions and social organisations work as agencies for extending welfare facilities to the workers.

Central Government

The Central Government tries to extend its helping hand through various Acts covering the safety, health and welfare of workers. The Factories Act, 1948, Mines Act, 1952, Shipping Act, 1948, Plantation Labour Act, 1951, Motor Transport Workers Act, 1961, Employees State Insurance Act, 1948, etc., provide for canteens, creches, restrooms, washing facilities, etc. Labour welfare officers oversee the welfare activities closely and ensure justice to workers. Statutory welfare funds are created to provide housing, educational, recreational and medical facilities to workers.

State Governments

Governments in different states and union territories offer welfare facilities to workers. In Assam, a statutory welfare fund is created for offering medical, educational, recreational and other facilities to plantation workers. In Gujarat, Maharashtra, Punjab, and Karnataka, Labour Welfare Centres are administered by welfare boards. However, the number of these welfare centres is not inadequate to serve the growing needs of workers at various places. These centres do not have adequate funds and dedicated staff to carry out welfare work.

Employers

Enlightened employers like TISCO, Hindustan Lever, Godrej, L & T, Siemens, Voltas, Bajaj, Birlas, Sandoz, Philips, HMT, LIC, BHEL, Air India, Hindustan Zinc, Hindustan Copper, RCF etc. have undertaken welfare activities in the interest of workers. The management of TISCO runs a well equipped hospital in Jamshedpur, supported by health centres and dispensaries in different residential localities. Family planning clinics, credit societies, gymnasiums, clubs, creches, canteens, schools are also set up by TISCO for the benefit of workers. Employees Associations have also joined hands with employers in doing some welfare work for their workers. The Indian Jute Mill Association, The Bombay Mill Owners Association are worth mentioning here. Medical, educational, recreational facilities are also extended in paper, sugar, steel cement, engineering industries also, by the employees and employees' associations.

Trade Unions

The contribution of trade unions in India towards labour welfare activities is not significant. Poor finances, multiple unionism, often come in the way of undertaking labour welfare work enthusiastically. There are certain exceptions to this – like the Ahmedabad Textile Labour Association, Mazdoor Sabha of Kanpur, Railwaymen's Union and the Indian Federation of Labour. These labour organisations have provided welfare facilities to workers such as running schools, libraries, sports centres, cooperative stores, recreation and cultural centres, legal cells, labour journals, etc. Running Bal Kanya and Mahila Mandals, organising music and dance festivals, social gatherings, prohibition campaigns – also come under welfare work undertaken by unions. Though we cannot expect much from the trade unions in the field of welfare, they can at least identify the minimum facilities needed by workers and bring the same to the notice of Government and the employers. They can act as a representative of the workers and secure the implementation of statutory measures. In the interest of workers, they can carry out educational campaigns covering pressing issues such as family planning, prohibition, cleanliness, etc.

Other Agencies

In addition to the above social service organisations such as The Bombay Social Service League, Seva Sadan Societies of Bombay Women's Institute in West Bengal, Assam Seva Samity, Y.M.C.A. etc., also provide services to the working class on a voluntary basis.

The overall picture regarding labour welfare work in India is somewhat distressing. Welfare amenities have not been properly provided, except in units managed by progressive employers or in modern units where the latest technology demands maintenance of adequate standards. The letter of the law has also not been strictly observed in most units, owing to poor supervision. Employers, however, argue that welfare work would eat into the finances of the organisation and where the facilities

have been provided these have either remained unutilised or improperly used by the workers. The need of the hour, to sum up, is to extend the coverage of statutory welfare amenities to all units employing a minimum number of employees and create a proper administrative network to oversee the implementation strictly.

Types of Welfare Facilities

Welfare services may broadly be classified into two categories: (i) Intramural activities which are provided within the establishment such as latrines and urinals, creches, rest centres, canteens, uniforms, library, medical aid, subsidised food, shift allowance etc; (ii) Extramural activities which are undertaken outside the establishment such as family planning, child welfare, cooperative stores, credit societies, vocational guidance, holiday homes, leave travel facilities, transport to and from the place of work etc.

BOX 65: INTRAMURAL AND EXTRAMURAL WELFARE ACTIVITIES: ILO

Intramural	Extramural
<ul style="list-style-type: none"> ● Drinking water ● Toilets ● Crèches ● Washing and bathing facilities ● Rest shelters ● Uniforms and protective clothing ● Recreation facilities ● Canteens ● Subsidised food ● Medical aid 	<ul style="list-style-type: none"> ● Housing ● Education facilities ● Maternity benefits ● Transportation ● Sports facilities ● Leave travel ● Vocational training ● Holiday homes ● Cooperative stores ● Fairprice shops ● Social insurance

Labour welfare work may also be divided into two categories: (i) statutory welfare work comprising the legal provisions in various pieces of labour legislation (ii) Voluntary welfare work includes those activities which are undertaken by employers for their workers voluntarily. Many employers, nowadays, offer the following welfare amenities voluntarily:

- i. **Education:** A scheme of workers' education was envisaged on an all India basis by the Government of India, way back in 1957.

The scheme had four main objectives:

- To develop strong unions through trained officials and more enlightened members
- To develop leadership from the rank and file
- To equip organised labour to take its place in a democratic society and discharge its social and economic functions.
- To promote, among workers, a greater understanding of the problems of their economic environment and their privileges and obligations as union members and officials and as citizens.

After assessing the scheme, the National Commission on Labour, 1969 (NCL), felt that the scheme is not perfect and requires improvement. The Committee on Labour Welfare (CLW), 1969, recommended that trade unions should assume an active role in educating workers and run schools for promoting literacy among the children of workers. To be effective, the programme of workers' education

should be formulated, administered and implemented by the trade unions themselves. Education facilities for worker's children are usually in industrial townships in the form of schools, colleges set up by the government or by employers. Many employers so far have been generous in meeting the cost of books, annual fee etc., on a voluntary basis. There is no statutory obligation in respect of education for workers' children in any industry except in plantations.

As things stand now the Central Workers Education Board conducts classes for industrial workers. To promote literacy among industrial workers, experts have suggested the setting up of a semi-autonomous Central Board with representatives from government, employers and workers – of course with financial support from the government.

- ii. **Housing:** Housing is the primary need of a workers' family in civilised life. Without a roof to cover his head, the worker naturally feels frustrated about his poor standard of living in big cities. Good houses mean possibility of home life, happiness and health; bad houses spell squalour, drink, diseases, immorality, crime, etc. Overcrowding of people in dark quarters in slum areas is mainly responsible for the outbreak of tuberculosis. According to Radha Kamal Mukerjee³ "In the thousand slums of the industrial centres, manhood is unquestionably brutalised, womanhood dishonoured and childhood poisoned at its very source". Recognising the need for housing accommodation, an Industrial Housing Scheme was introduced in 1952. Under this scheme, the Central Government offers loans to industrial workers for constructing houses at concessional rates. The low income group housing scheme (1954), subsidised housing scheme for economically weaker sections of society (1952), Rural House-sites-cum-hut construction scheme for landless workers (1971) has also been introduced to reduce the housing shortage to workers. The government has also introduced housing schemes for miners and plantation workers in early 50s. Housing schemes for dock workers was drawn up in 1964. The progress of industrial housing schemes has so far been very slow due to various reasons: non-utilisation of allocated funds, non-availability of development land in urban areas, high cost of building materials, low capacity of workers to pay even the subsidised rent etc. Employers too have not evinced keen interest in supporting the cause. The NCL recommended that the Government should assume major responsibility for housing, with active help from employers. It suggested that housing boards should be set up in other States as in the case of Uttar Pradesh, Maharashtra, Tamilnadu, Andhra Pradesh, Karanataka and that a Central Housing Board should oversee all housing boards with a 50% subsidy and 50% loan with interest. The Housing Finance Institutions must also join hands to improve the lot of workers. Tenants should be encouraged to buy houses on hire purchase. The rent charged should, according to NCL, not exceed 10 per cent of the worker's earnings. The problem of housing, of course, is of such a vast dimension that no single agency can reasonably be expected to solve it.
- iii. **Transportation:** The Committee on Labour Welfare, 1969, recommended the provision of transport facilities to workers so that they can reach the workplace punctually and comfortably. Most employers have, however, recognised the workers' need for transport services and therefore responded favourably by providing company owned/leased vehicles to workers in major industrial centres—especially in the private sector. They have also introduced innovative financing schemes in recent times enabling workers to buy their own bicycles, scooters, motor cycles, etc.

- iv. **Recreation:** Though there is no statutory stipulation in this area, progressive employers both in the public and private sector (like the Tatas, HLL, Air India, BHEL, Infosys technologies, Hughes Software systems, NIT, Cadbury, Ranbaxy, Railway and Defence Services have) consciously offered facilities for recreation sports and cultural activities. For example companies like NIIT and TISCO have appointed a Chief Fun Officer to take care of parties and functions held on every Friday. (In addition to holiday packages, dating allowances, anniversary/ birth day gifts, games and competitions on weekends and Gulab jamun, eating sessions). Sprawling food courts, Basketball courts; Tennis, Golf, Billiards, swimming Sauna; Jacuzzi, Jogging tracks, beauty centres, spacious gyms, ATMs, gift shops are to be found in most software companies-such as Infosys, Wipro, Hughes Software systems, in India.
- v. **Other facilities:** These are basically intended to improve the comfort level of workers while at work and include the following:
- **Canteen, restrooms and lunchroom:** Canteens established inside factories generally offer food at subsidised rates. In modern organisations, food courts offering a variety of continental and inter continental cuisine have become quite popular in recent times.
 - **Washing facilities, medical aid, leave travel concessions:** Most factories have first-aid facilities to take care of minor injuries. Reimbursement of medical expenses actually incurred is also increasingly favoured nowadays.
 - **Consumer cooperative stores:** The Indian Labour Conference in 1963 recommended the setting up of consumer cooperative stores in all industrial establishments including plantations and mines employing 300 or more workers. The employer is expected to extend help in the form of share capital, working capital, loans at concessive rates etc. The Industrial Truce Resolution, 1962 aimed at keeping prices of essential items low by opening a sufficient number of fair price shops for workers.

Statutory Provisions

Employers are required to offer welfare facilities to workers under different labour laws. These are discussed as follows:

The Factories Act, 1948

The Act provides the following services to workers:

- Washing facilities to male and female workers separately
- Facilities for storing and drying clothes
- Facilities for occasional rest for workers who work in a standing position for long hours
- First aid boxes or cupboards – one for every 150 workers and the ambulance facility if there are more than 500 workers
- Canteens, where there are more than 250 workers
- Shelters, rest-rooms and lunch rooms where over 150 workers are employed.
- Creche, if 30 or more workers are employed
- Welfare officer, if 500 or more workers are employed.

The Plantation Labour Act, 1951

The Act provides for the following:

- A canteen if 150 or more workers are employed
- Creche if 50 or more women workers are employed
- Recreational facilities for workers and their children
- Educational arrangements in the estate if there are 25 or more children of workers, between the age of 6 and 12
- Housing facilities for every worker and his family residing in the estate
- Medical aid to workers and their families; sickness and maternity allowance
- Providing umbrellas, blankets, raincoats to workers as a protection against rain or cold – as prescribed by the State government
- Welfare officer, if 300 or more workers are employed.

The Mines Act, 1951

The Act provides for the following:

- Shelters for taking food and rest if 50 or more workers are employed
- First aid boxes and first-aid rooms if 150 or more workers are employed
- A canteen if employing 250 or more workers
- A creche if employing 50 or more females
- Pit-head baths equipped with showers, sanitary latrines
- Welfare officer if 500 or more workers are employed.

The Motor Transport Workers Act, 1961

The Act contains the following provisions:

- First aid equipment in each transport vehicle
- Medical facilities at the operating and halting centres
- Canteen if employing 100 or more workers
- Comfortable, clean, ventilated and well-lighted restrooms at every place where motor transport workers are required to halt at night
- Uniforms, rain coats to conductors, drivers, and line checking staff for protection against cold and rain
- Prescribed amount of washing allowance to the above staff members.

The Contract Labour (Regulation and Abolition) Act, 1970

The Act requires the contractor to extend the following benefits to workers:

- Canteen, if employing 100 or more workers
- Rest rooms or other suitable alternative accommodation where contract labour is required to halt at night in connection with the work of an establishment
- Washing facilities

- First aid boxes equipped with prescribed contents.

Labour Welfare Officer

The Factories Act, 1948, the Plantation Labour Act, 1951 and the Mines Act, 1951 provide for the appointment of a Labour Welfare Officer if the number of workers employed within a unit exceeds 500 (300 as per the Plantation Act). The post has been created specifically to (i) eliminate the malpractices of the jobber system in the recruitment of labour (ii) improve labour administration in factories, (iii) serve as liaison with the State Labour Commissioner. The Labour Welfare Officer was also expected to discharge the functions of a policeman, with respect to law and order situation within an organisation. In each case the respective state governments may prescribe duties, qualifications and conditions of service of such officers.

The Labour Welfare Officer should possess a university degree, degree or diploma in social service/social work from a recognised institution and adequate knowledge of local language of the area where the factory is situated.

The duties and responsibilities of a Labour Welfare Officer may be summarised thus (Central Welfare Officers Rules, 1951):

- **Advisory:** He can advise and suggest the formulation of company labour policies; promote training programmes, promote welfare schemes; secure housing, recreational and educational facilities for workers, etc.
- **Service oriented:** He can offer help to workers in solving family and personal problems, in adjusting to work environment, in understanding their rights and privileges, in forwarding application for leave, etc. He can offer help to management by making workers understand various problems.
- **Supervisory:** He can supervise, inspect and regulate welfare, health and safety programmes, working of joint committees and paid vacations.
- **Functional:** He can oversee the implementation of labour laws for the benefit of workers.
- **Policing:** He can forward workers' grievances to management, can influence industrial relations climate when disputes arise, can restrain workers and management from resorting to illegal strikes and lockouts.
- **Mediation:** He can mediate and build harmony between labour and management, secure speedy redressal of workers' grievances, settle disputes through persuasive efforts, maintain a neutral stance during strikes and lockouts and thereby help in resolving troubling issues peacefully.

Summary

- Labour welfare is an important aspect of factory life: the added incentive that enables the workers to lead a decent life in the midst of urban congestion, rising inflation and poor living conditions.
- Labour welfare is a wise investment that helps a firm attract, motivate and retain people both in times of prosperity and adversity.
- There are several agencies involved in the labor welfare work namely the Central Government, State Governments, Employers, Trade Unions and other social service organisations.

- Welfare services may broadly be classified into two categories: intramural and extramural.
- Labour welfare may also be looked at from a different angle. Statutory welfare work comprising legally mandated benefits extended to workers and voluntary welfare work including those activities undertaken by employers voluntarily.
- The labour welfare officer supervises the provision of welfare facilities in respect of the law covering areas such as safety, health, housing, recreation facilities, etc.

Terminology

- **Labour welfare:** Services, facilities and amenities extended for the intellectual, physical, moral and economic betterment of workers.
- **Intra-mural activities:** Welfare activities provided within the factory.
- **Extra-mural activities:** Services and facilities provided outside the factory.
- **Statutory welfare amenities:** Those amenities, which have to be offered irrespective of size of establishment, e.g., drinking water, and those to be provided subject to employment of specified number of persons e.g., crèche, canteen, first aid boxes
- **Labour welfare officer:** An officer appointed in every factory having 500 or more workers to take care of labour welfare work as prescribed in various legislative pieces.

References

1. A.M. Sharma, "Aspects of Labour Welfare and Social Security", Bombay, Himalaya, 1997.
2.
 - S.D. Punekar et al, "Labour Welfare, Trade Unions, Industrial Relations", Bombay, Himalaya, 1978.
 - C.B. Mamoria, S. Mamoria, "Dynamics of Industrial Relations in India", New Delhi Himalaya, 2000.
 - K.N. Valid, "Labour Welfare in India", SRC, New Delhi 1970.
3.
 - "Report of the Labour Investigation Committee", Government of India, 1946.
 - Ibid, 1969.
4. R.K. Mukerjee, "Indian Working Class", Bombay, Hind Kitabs, 1951.
5. Best Employers in India, Annual Summary, 2002,2003, 2004, Business Today, Great Places to Work, annual summary, 2003 and 2004, Business World.
6.
 - Report of the Royal Commission on Labour in India, 1931.
 - Report of the National Commission on Labour, 1969.
 - Report of the Committee on Labour Welfare, 1969.
 - Report of the Labour Investigation Committee, 1946.
 - M.V. Murthy, "Principles of Labour Welfare", Gupta Brothers, Visakhapatnam, 1968.

- B.P. Tyagi, "Labour Economics and Social Welfare", Jaiprakash Nath & Co., Meerut, 1986.
- "Labour Laws", Taxman, New Delhi, 2003.

Internet Sources

1. Benefits Link
<http://www.benefitslink.com>

Review Questions

1. What do you mean by labour welfare? Bring out the need for providing welfare facilities to workers
2. State the agencies involved in labour welfare work in India. Are the services offered by these agencies, in your opinion, satisfactory or not?
3. Explain the legal provisions relating to labour welfare in India.
4. Explain the qualifications, duties and responsibilities of a labour welfare officer.
5. "The compliance with the statutory welfare provisions in India is half-hearted and inadequate (NCL)." Comment.
6. The various statutory provisions regarding labour welfare seldom achieve the purpose. Do you agree or disagree? Explain.

Discussion Questions

1. The scope of labour welfare needs to be examined pragmatically and has to be dynamic and elastic. Do you agree or disagree? Give reasons.
2. Comment on the adequacy of welfare provisions contained in the following Acts:
 - The Factories Act.
 - The Mines Act.
 - The Plantation Labour Act, 1951.
3. 'Various legislations have imposed upon the employer obligations for providing different kinds of employee services and benefits'. Name and explain five such statutory benefits keeping the above statement in the background.
4. Some experts have forecasted that family-oriented and time-off amenities will expand in the future. Why?
5. The government needs to play an active role in matters relating to labour welfare. Comment.

VOLUNTARY WELFARE SCHEMES AND SOCIAL SECURITY MEASURES

O U T L I N E

1. Introduction
2. Types
3. Social Security in India
4. The Workmen's Compensation Act, 1923
5. Group Life Insurance
6. Social Security Measures in India: A Review

Introduction

Social security is the protection given by society to its members against contingencies of modern life such as sickness, unemployment, old age, invalidity, industrial accidents, etc. The basic purpose of social security is to protect people of small means from risks which impair a person's ability to support himself and his family. The security measures are generally specified by law. They offer some kind of cash payment to individuals to replace at least a part of lost income that occurs due to mishaps such as sickness, injuries, death, etc. During periods of economic and physical distress, the poor workers can at least survive on compensatory payments offered by the state or employers. Social security is "an attack on five giants that affect workers – wants, disease, ignorance, squalor and idleness. It is not a burden but a kind of wise investment that offers good social dividends in the long run".

BOX 66: OBJECTIVES OF SOCIAL SECURITY

Social security measures aim at three things

Compensation: Offer financial help when the worker is in a state of physical distress due to accidents, sickness, invalidity, disease, and old age.

Restoration: Enable the worker to recover from the shocks injected by the inhuman industrial work, rehabilitate himself and get on with his work in a usual manner.

Prevention: Extend monetary assistance to workers so that they can get rid of sickness, idleness, disease etc.

Types

Social security benefits are provided in two major ways in India:

1. **Social insurance:** In this scheme, a common fund is established with periodical contributions from workers out of which all benefits in cash or kind are paid. The contribution of the workers is nominal which generally does not exceed their paying capacity. The employees and the State provide the major portion of

the finances. The primary purpose of the fund is to provide for a minimum standard of living to the beneficiaries during the period of partial or total loss of income. Benefits such as PF, Group Insurance, are offered on the basis of the contribution record of the beneficiary without any means test (whether he is financially sound or not).

2. **Social assistance:** In this case, benefits are offered to persons of small means by the government out of its general revenues. It is the State which takes the lead in offering certain benefits to common people. Workers and employers do not contribute to such benefits in any manner. The benefits such as old age pension are granted as a matter of right; they are provided free of cost, provided certain conditions are satisfied.

Social Security in India

Under the social security schemes, the following benefits are commonly provided in India:

Table 57: Social Security Benefits

- | |
|---|
| <ul style="list-style-type: none"> • Medical care • Sickness benefit in cash • Old age pension or retirement benefits • Invalidity pension • Maternity benefit • Accident benefit • Survivor's benefit |
|---|

Article 41 of the Constitution of India says that “the State shall within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement and in other cases of undeserved want”. The Government of India has more or less supported the view that there would be “no peace without social justice and no justice without social security”. The social security benefits are offered to workers through various pieces of labour legislation. The main provisions of these Acts are summarised below.

The Workmen’s Compensation Act, 1923

The Act followed the British model with necessary changes to suit Indian conditions. The main objective of the Act is to impose an obligation upon the employer to pay compensation to the workman who suffers partial or total incapacity for more than 3 days resulting in a loss in earning capacity. The main features of the Act are as under:

Coverage: The Act covers all workers employed in factories, mines, plantations, transportation, construction works, railways, ships and certain other hazardous occupations as mentioned in Schedule II of the Act. It does not apply to casual workers, workers covered under the Employees State Insurance Act and members of the Armed Forces.

Administration: The commissions appointed by various State Governments oversee the implementation of the provisions of the Act.

Benefits: The Act specified three conditions for claiming compensation from the employer: (i) there must be an injury (ii) it should be caused in an accident and (iii) it should be caused during the course of employment. The occupational diseases, for which compensation may be claimed, have also been specified and categorised. Even

after the cessation of employment, if an employee develops symptoms of an occupational disease, the employer is liable to pay compensation to the workman in employment for a certain period. Even when the employment aggravates the existing disease of an employee, either by strain or fatigue incidental to employment, the employer is liable to pay compensation. The words 'accident' and 'injury' are important in the Act. Accident is like an unforeseen mishap and injury may also mean a psychological suffering, not always tangible in character. The amount of compensation to be paid depends on the wages, age of the workman and the type of injury suffered by him. Compensation rates vary depending on whether the injury is leading to temporary partial disablement, temporary total disability, permanent disability and permanent total disability.

The employer, however, is not liable to pay compensation in the following cases:

- where the injury does not lead to partial or total disablement for a period exceeding 3 days;
- where the injury not resulting in death is caused by the fault of the worker, e.g., due to influence of drinks, drugs, wilful disobedience of an order, etc.

Assessment

The Act places the entire liability for compensation on the employer but there is no obligation on the part of the employer to insure his liability. In case of fatal accidents, therefore, many employers in small industry find it difficult to pay compensation to workmen. The Act makes no provision for medical care and treatment in case of injury to a worker.

The Employees' State Insurance Act, 1948 (The ESI Act)

The ESI Act provides for medical help and unemployment insurance to industrial workers during their illness. The basic objective is to offer social insurance to workers in respect of three contingencies – sickness, employment injury and child birth. The main features of the Act are as follows:

Coverage: The Act applies to all factories, other than seasonal factories, run with power and employing 20 or more persons. It covers all types of workers – manual, supervisory or administrative – whose remuneration in aggregate does not exceed Rs 3000 per month.

Administration: The administration of the Act has been given to the Employees' State Insurance Corporation (ESIC). It is an autonomous body set up by an act of the Central Government. The ESIC Board has representatives from state governments, employers, employees, medical profession and Parliament.

Funds: The ESI scheme is a compulsory and contributory health insurance scheme. Under the scheme, the employer contributes 4% of the wage bill and the employee contributes 1.5% of his own wages. The scheme is operated through the ESI Fund, with grants and contributions from Central, state governments and local authorities.

Benefits: Under the scheme, the insured person gets, primarily, three types of medical help: (i) outpatient medical care through dispensaries set up in various centres (ii) laboratory and testing expenses (iii) hospitalisation charges. The scheme provides the following benefits to more than 80 lakh insured employee households through an extensive network of offices situated in over 550 centres throughout the country:

Sickness benefit: About half the wages upto 90 days sickness.

Maternity benefit: All insured women are entitled to receive cash payment for confinement, miscarriage or sickness arising out of pregnancy. They are entitled to receive full wages for leave upto 12 weeks, of which not more than six weeks must precede the expected date of delivery. If the insured woman dies during the period of confinement, her nominee will get the benefits for the entire period.

Disablement benefits: All insured persons are eligible to receive disablement benefit for any injury arising out of and in the course of employment lasting not less than 3 days. In case of temporary disablement, full wages are paid in addition to free medical help. In case of permanent disablement, compensation is paid in cash for life.

Dependents' benefits: If a person dies from employment injuries his widow and children are entitled to compensation to be paid in a certain ratio. (e.g., the widow till her remarriage, the son upto 18 years of age, the daughter upto 18 years of age or marriage whichever is earlier).

Funeral benefit: When an insured person dies, the eldest member of the family or other dependent or friends as the case may be, is entitled to receive Rs 100 towards funeral expenses. The amount should be claimed within three months of the death.

Assessment: The ESI scheme has been criticized on the following grounds:

- Even within the organised sector, the coverage of the scheme has been somewhat low.
- The scheme has not been popular with employees and unions. The State governments, too, have not shown enthusiasm to implement the provisions of the scheme sincerely. Employees have often complained about the inadequacy of facilities and benefits. Most of them had to spend additional amounts of money for buying medicines not available in ESI dispensaries.
- There is delay in providing benefits to insured workers. The penalties for any default in payment of contributions by the employer are quite severe (including fine and imprisonment). However, employers are rarely booked for violations on various counts.

The Maternity Benefits Act, 1961

The Act provides for payment of maternity benefit to women workers on certain conditions. The provisions of the Act relate to eligibility criteria, the period for which benefits are to be paid and the rate of benefit.

Coverage: The Act is applicable to all establishments not covered under the ESI Act, 1948.

Benefits: These are given below:

- i. A woman worker gets maternity leave upto 12 weeks, six weeks prior to delivery and six weeks immediately thereafter.
- ii. During this period full wages are paid.
- iii. An additional amount of Rs 25 per day is paid to the woman worker if the employer offers no free medical care.
- iv. To claim the above benefits, the woman employee must have worked for at least 100 days in 12 months immediately preceding the day of her expected

delivery. During the leave period, the employee should not work in any other establishment.

Assessment: The Maternity Benefits Act requires the employer to offer medical benefits to pregnant women, meeting the eligibility conditions prescribed therein. "It has been found that the legislation has led to a tendency among some employers not to employ married women and even discharge women workers on signs of pregnancy". Most small scale units do not extend the benefits to women employees, on one pretext or the other – exploiting the loopholes in the Act. May women workers do not claim maternity benefits due to their ignorance or out of fear of losing their jobs.

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

The Act offers retirement benefits to workers in the form of provident fund, pension and deposit linked insurance. The main features of the Act are as under:

Coverage: The Act applies to factories in any industry mentioned in Schedule I where 20 or more persons are employed. The Act does not apply to (i) cooperative societies where less than 50 persons are employed and working without the aid of power (ii) new establishments for 3 years from the date of commencement.

Administration: A Tripartite Central Board of Trustees consisting of representatives of employees, employers and Government oversee the implementation of the provisions of the Act. The benefits of the Act include the following:

- i. **Provident fund scheme:** Under the scheme, deductions are made from the employees' salary every month. The employer contributes an equivalent sum. The total contributions are deposited with the Provident Fund Commission or invested in a specified way. Premature withdrawals, loans and advances can be obtained by the employee for higher education, marriage of children, purchase of car, construction of house, etc. When the employee leaves the company, retires or dies – the credit balance in his account with interest is paid to his nominees.
- ii. **Family pensions scheme, 1971:** When the employee dies while in service, pension is paid to his widow or children. Under the new scheme, pension is payable to an employee after his retirement in place of provident fund. An employee can opt for either provident fund scheme or pension scheme.
- iii. **Deposit linked insurance scheme, 1976:** In this scheme, the legal heir or nominee of the deceased employee gets an amount equal to the average balance in his provident fund during the preceding one year subject to a maximum of Rs 3,500. The employer and the Central government make contributions to this scheme and the employee is not required to make any contribution.

Group Life Insurance

Group life insurance scheme provides insurance cover to several employees working under one employer, as long as they remain in service of that employer. The employer enters into a master contract with the insurance company on behalf of all employees covered therein. The premium is paid jointly by the employer and the employee. It is paid to the insurance company at a flat rate without taking note of the age or salary of the employee. The insurance cover is on each employee's life and in case of injury or death, the compensation received from the insurance company is paid to the employee or his nominee. Since the premium is very low, it is highly attractive to salaried people in the low income category.

Social Security Measures in India: A review

Since independence, several laws have been enacted to provide a social security cover to industrial workers, especially in the organised sector. Millions of workers in the unorganised sector (agricultural labourers, cobblers, rural artisans, rickshaw-pullers, etc.) have remained outside the ambit of social security schemes. Due to paucity of funds, the government has not been able to come out with any comprehensive scheme to provide for unemployment insurance to the jobless. Most existing schemes have several in-built weaknesses—such as overcrowding in ESI hospitals, non-availability of medicines, legal hurdles in the way of compensation claims, etc. As things stand now, the various schemes are somewhat fragmented, and resulting in wastage of critical resources. There is considerable overlapping—as – as similar benefits are being disbursed under various schemes – leading to wastage of critical resources at various places. The government on its part has not undertaken any concrete measures to integrate the various social security schemes. One oft-repeated complaint from employers is that they have to make separate contributions for various schemes, maintain separate accounts and remain accountable to different authorities for compliance, inspection etc. They would, given a choice, prefer to make contributions to only one authority. This would benefit workers, too, because they need not run from pillar to post to collect different amounts from different people under various schemes. To cut short a long argument, the government so far has only been able to scratch the surface as far as social security measures are concerned.

Table 58: Social Security system in India: Drawbacks

<ul style="list-style-type: none"> ● Covers only workers in organised sector. ● Does not offer unemployment insurance ● Several schemes have in-built weakness; as a result, the beneficiaries are put to lot of trouble and inconvenience. ● Lack of funds, facilities, trained staff to implement the schemes. ● There is considerable overlapping of schemes ● Most measures are in the nature of social assistance and not social insurance. ● Mostly employers have to make contributions.
--

These measures have, more or less, been in the nature of social assistance and not social insurance. They have not been able to mitigate the distress levels of workers even in the organised sector, due to shortage of funds. Making the employer entirely responsible for making social security contributions is also not a healthy sign. Of course, extending benefits to the unorganised sector, introduction of unemployment insurance, making the workers contribute a small amount towards social security, bringing various schemes under a common roof and many more steps are required to improve the lot of workers in a capital-hungry and labour-surplus country like India.

Summary

- Social Security is a programme of protection offered by society against the contingencies of modern life – sickness, unemployment, old age, dependency, and accidents.
- Social Security measures seek to relieve workers of their tension and anxiety as to what they would do in case of loss or stoppage of income.
- Social Security benefits fall into two categories: social insurance and social assistance.

- The Workmen's Compensation Act aims at compensating the worker adequately in case of injuries or accidents suffered by him during and in course of employment.
- The Employee's State Insurance Act offers medical help and unemployment coverage to industrial workers during their illness.
- The Maternity Benefits Act provides for payment of maternity benefits to women workers on certain conditions.
- The EPF and Miscellaneous Provisions Act offers retirement benefits to workers in the form of provident fund, pension and deposit-linked insurance.
- Group life insurance scheme provides insurance cover to several employees working under one employer, as long as they remain in service of that employer.
- Social security measures have not been able to live up to the expectations of workers in India on account of various reasons such as paucity of funds, lack of facilities, shortage of trained staff, protracted legal battles in settling claims etc.

Terminology

- **Social security:** The protection given by society to its members against contingencies of modern life such as sickness, unemployment, old age, injuries, accidents, etc.
- **Occupational health:** Measures that protect workers against health hazards in certain occupations.
- **Occupational disease:** Disease or illness resulting from exposure to certain aspects of the working environment.
- **Group life insurance:** It is a protective scheme which offers insurance cover to several persons working under one employer.
- **Contingent workers:** Workers hired to deal with temporary increases in an organisation's workload or to do work that is not part of its core set of capabilities.
- **Involuntary separation:** A separation that occurs when an employer decides to terminate its relationship with an employee due to economic necessity or a poor fit between the employee and the organisation.
- **Profit-sharing:** Offering staff a portion of the company's profits.
- **Bonuses:** Lumpsum payments linked to corporate profits.
- **Medical benefits:** Hospitalisation and treatment reimbursement.
- **Gratuity:** Payment linked to number of years served.
- **Team pay:** Rewards linked to attainment of goals by a team.

References

1. ● V. V. Giri, "Labour Problems in Indian Industry", Bombay, Asia Publishing House, 1972.
- B.P. Tyagi, "Labour Economics and Social Welfare", Meerut, Jai Prakash Nath & Co., 1980.
- K.N. Vaid, "Labour Welfare in India", Shri Ram Centre for Industrial Relations, New Delhi, 1970.

2. C.B. Mamoria, S. Mamoria, "Industrial Labour", Social Security and Industrial Peace in India, Tabamhal, Allhabad, 1985.
3.
 - "Labour Laws". Taxman, New Delhi, 2004.
 - S.D. Punekar et al., "Labour Welfare", Trade Unionism and Industrial Relations, New Delhi, Himalaya 1980.
 - Report of the National Commission on Labour, 1969.

Review Questions

1. Define social security. Explain its scope and importance in Indian Industry.
2. Briefly discuss the social security measures provided under the following Acts:
 - Workmen's Compensation Act, 1923.
 - ESI Act, 1948.
 - Maternity Benefits Act, 1961.
3. What are the retirement benefits available to the employees in India?
4. Briefly explain the provisions contained in the group life insurance scheme.
5. Explain the concept of social security and discuss its dynamic nature.

Discussion Questions

1. 'Industrial worker in India is secured against all social risks from birth to death'. Comment.
2. Do you think that the problems of social security in industries have become complex due to inadequate training, lack of education, low wages and the failure to make provision against the industrial hazards by individual employees? Why or Why not?
3. 'Various social security legislations in India have provided for financial benefits payable by the employer to the employees without the employees having to make any contribution?' Comment.
4. Of the different social security benefits companies offer, which would you consider most valuable to you? Why?
5. Why have social security benefits grown in strategic importance to employers?