BBA-402

HUMAN RESOURCE MANAGEMENT

DIRECTORATE OF DISTANCE EDUCATION

SWAMI VIVEKANAND

SUBHARTI UNIVERSITY

Meerut (National Capital Region Delhi)

CONTENTS

UNIT - III: TRAINING AND DEVELOPMENT

SYLLABUS

Human Resource Management

Course Code: BBA-402		
Course Credit: 4	**Lecture: 04**	**Tutorial: 1**
Course Type:	**CORE COURSE**	
Lectures delivered:	**30L+10T**	

End Semester Examination System

Maximum Marks Allotted	**Minimum Pass Marks**	**Time Allowed**
70	28	3 Hrs

Continuous Comprehensive Assessment (CCA) Pattern

Minor Tests(marks)	**Assignment/ Tutorial/ Presentation**	**Attendance**	**Total**
15	5	10	30

Objective: To enable the students to understand and comprehend the vital issues of HRM in a dynamic environment.

UNIT	**Content**	Hours
I	**Human Resource Management:** Concept and Functions, Role, Status and competencies of HR Manager, HR Policies, Evolution of HRM. Emerging Challenges of Human Resource Management; workforce diversity, empowerment, Downsizing; VRS; Human Resource Information System	10
II	**Acquisition of Human Resource:** Human Resource Planning- Quantitative and Qualitative dimensions; job analysis – job description and job specification; Recruitment – Concept and sources; Selection – Concept and process; test and interview; placement induction.	13
III	**Training and Development;** Concept and Importance; Identifying Training and Development Needs; Designing Training Programmes; Role Specific and Competency Based Training; Evaluating Training Effectiveness; Training Process Outsourcing; Management Development; Career Development.	13
IV	**Performance appraisal; nature and objectives**; Modern Techniques of performance appraisal; potential appraisal and employee counseling; job changes - transfers and promotions. Compensation: concept and policies; job evaluation; methods of wage payments and incentive plans; fringe benefits; performance linked compensation.	10
V	**Maintenance: employee health and safety;** employee welfare; social security; Employer Employee relations- an overview. Grievance handling and redressal. Industrial Disputes causes and settlement machinery.	10

Course Outcome:

After completion of course student will be able to:

1. Learn the basic concepts and frameworks of human resource management (HRM), and understand the role that HRM has to play in effective business administration.

2. Able to understanding the basic concepts and frameworks of human resource management (HRM), and understand the role that HRM has to play in Manpower planning, Job analysis and forecast the human resource requirements.

3. Able to analyze the role of recruitment and selection in relation to the organization's business and HRM objectives. This includes demonstrating the appropriate use of staffing tools such as internet recruiting and the selection procedure

4. Appraise a job-based compensation scheme that is consistent with organizational goals, mission and values, and at the same time linked to the labor market. Also understand the importance of the performance management system and appraisals in enhancing employee performance.

Text Book:

1, Chhabra, T.N. Essentials of Human Resource Management. Sun India Publication New Delhi.

2.Rao V.S.P - Human Resource Management. Vikash Publication

Reference Books:

1. Bohlendar and Snell, Principles of Human Resource Management,Cengage Learning

2. DeCenzo, D.A. and S.P. Robbins, "Personnel/Human Resource Management", Prentice Hall of India, New Delhi.

3. Khanka S.S. Human Resource Management. S Chand.

5. SanghiSeema, Human Resource Management – Vikash Publication

6. Ivancevich, John M. Human Resource Management. McGraw Hill.

7. Wreather and Davis. Human Resource Management. Pearson Education.

8. Robert L. Mathis and John H. Jackson. Human Resource Management. Cengage

UNIT - I: HUMAN RESOURCE MANAGEMENT

1. HRM: Functions, Roles, Challenges in the 21st Century

STRUCTURE

1.1 INTRODUCTION

Human resources are the most important assets of a company. If they are put to good use, they can deliver excellent results. The real challenge in managing human resources lies in motivating them. To get the best out of people, you need to involve them, trust them and encourage them to come out with winning ideas and useful suggestions. Above all, you need to treat them fairly and equitably. **Google** has been doing this ever since the company came into being, and the results are there for everyone to see. Employees join an organisation with lot of expectations – such as rewards for meritorious performance, incentives for excellence, challenging and exciting work, growth opportunities, good work climate etc. Most employees, nowadays, are fairly mobile since they are armed with requisite knowledge and appropriate skills. So, they do not hesitate to step out of an organisation that fails to meet their expectations. To achieve success in a competitive environment, every organisation needs to pay close attention to attracting and retaining talent. This is where human resource managers play a critical role in bridging the gap between employee expectations and organisational needs by adopting appropriate human resource policies and practices.

1.2 DEFINING HRM

Human Resource Management (HRM) refers to *people practices* aimed at improving organisational performance. HRM seeks to achieve organisational goals by making effective and efficient use of people at work. The basic purpose of HRM is to improve the productive contributions of people to an organisation. Precisely stated, HRM is the ***art of procuring, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient manner.*** It refers to the comprehensive set of managerial policies and practices that influence the behaviour, attitude and performance of employees. The focus of HRM is on improving organisational effectiveness by putting employee skills, knowledge and capabilities to good use.

1.2.1 Features

The most important features of HRM may be listed thus:

- ***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 employee-friendly policies.
- ***Individually oriented:*** HRM seeks to get the best out of an employee. Each employee is treated with respect and dignity. Career opportunities are created so that employees do not leave a company. Necessary training is provided in order to help an employee grow.
- ***People oriented:*** HRM is all about people at work, both as individuals and groups. Right jobs are assigned to the right people. Growth avenues are thrown open to all. Excellent performance is rewarded and encouraged. Every attempt is made to keep employees happy and contented.
- ***Future-oriented:*** Effective HRM prepares people for current as well as future challenges. Employees are encouraged to take up assignments that match their skills and talents. Additional training is offered when required. Opportunities to exploit their potential are thrown open. Good HR policies help employee grow continually, remain productive and play a long innings successfully.
- ***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 seeks to strike rapport between people working at various levels in an organisation. The whole attempt is to create a tension-free work environment. Issues that flare up emotions such as wage increases, work schedules, benefit plans, union-management relations etc. are always given topmost priority so as to keep employees in good humour.

- ***Comprehensive function:*** HRM is concerned with managing people at work. It covers all types of personnel – including workers, supervisors, middle and top managers, etc. All issues relating to talent acquisition, development and retention are put to close examination.
- ***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. Influences that affect employee behaviours, attitudes and performance are given top most priority. The whole exercise is meant to understand the psychology of employees from various angles – as to why people behave the way they do.
- ***Continuous function:*** According to *Terry*, HRM is not a one shot deal. It cannot be practiced only one hour each day or one day a week. It requires a constant alertness and awareness of human relations and their importance in everyday operations.

1.3 SCOPE OF HRM

The scope of HRM is very wide. It deals with all matters relating to talent acquisition, development and retention. It focuses attention on acquiring, developing, motivating and maintaining employees in order to achieve the goals of an organisation. Broadly stated, Human Resource Management covers three things:

- ***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, crèches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.
- ***Industrial relations aspect:*** This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

1.4 OBJECTIVES OF HRM

HRM deals with 'people practices'. Through employee friendly policies and practices, it seeks to maximise individual contributions. The key purposes of HRM may be listed thus:

1. ***Achieve goals:*** The principal task of a HR manager is to achieve goals and deliver results by putting talents of employees to best use.
2. ***Motivate people:*** To get the best out of people, HR managers must motivate people through excellent HR policies, programmes and practices.

NOTES

3. ***Attract and retain talent:*** To survive and flourish in a competitive world, HR managers must be able to attract and retain talent. To this end, they must design programmes aimed at employee growth and development.
4. ***Adapt HR policies and practices in sync with corporate strategy:*** HR managers' basic job is to align individual HR practices with corporate goals and strategies.
5. ***Gain competitive advantage:*** By making use of talent in the best possible way and by improving productive contributions of people at work, HR should help a firm gain competitive advantage. When talent is put to good use, a firm can get past competition easily.
6. ***Improve quality of working life:*** HR managers must encourage employees to share knowledge and information openly. An atmosphere of peace and harmony is essential to have a smooth run. Working relationships between people at all levels must be based on mutual trust and confidence. Performance based rewards must be put in place. The organisation must design practices – say employee stock options, welfare amenities, safety and security measures, medical, insurance benefits, etc. – aimed at improving the quality of working life.
7. ***Communicate HR policies and programmes and make people understand the culture:*** It is the responsibility of HRM to communicate policies and programmes of the organisation clearly. They must make the employees understand the culture of an organisations – its values, norms, traditions and secure cooperation and commitment accordingly. HR managers are there to create a healthy work climate that improves employee productivity, creativity, innovation and teamwork.
8. ***Ensure ethical and socially responsible behaviour and actions:*** While trying to meet enterprise goals, HRM must ensure that organisations manage human resources in an ethical and socially responsible manner through ensuring compliance with legal and ethical standards.

1.5 PRINCIPLES OF HRM

The principles of HRM offer a useful framework for all HR managers and help them arrive at appropriate decisions – in the midst of complexity and uncertainty. Most of these principles have been established through practice, experience and observation and they are still evolving. The Harvard Model describes four Cs – commitment, congruence, competence and cost effectiveness – as central themes on which HR managers are advised to focus on. In recent times, the list has been expanded considerably – accommodating the changing trends in the field.

NOTES

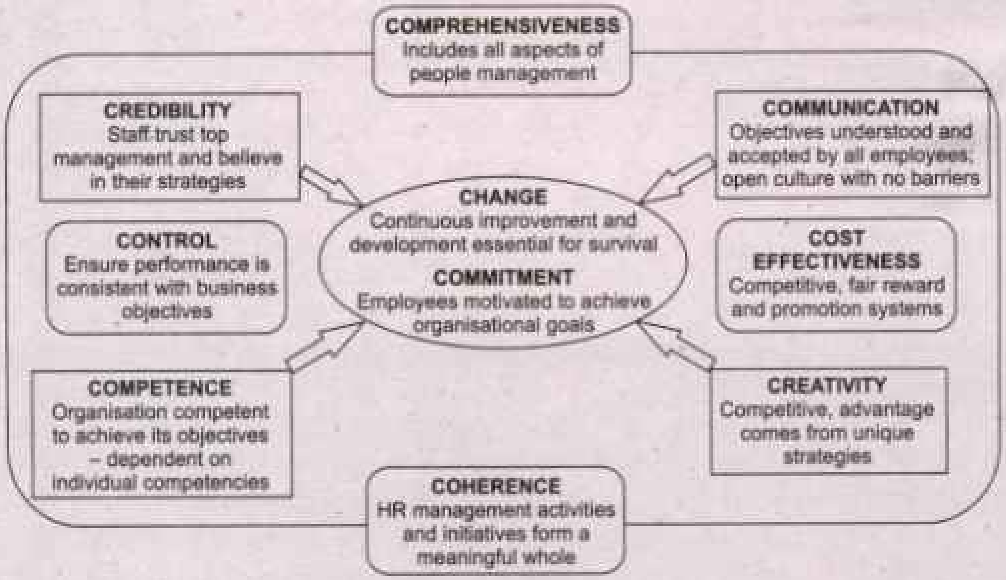


Fig. 1.1 Recent focus of HRM

- ***Comprehensiveness:*** The policies and practices covering human resources must be put in place – covering things such as health, insurance, transportation, etc.
- ***Cost-effectiveness:*** The rewards must be fair, equitable and in sync with employee contributions. The employee reward system should be able to sustain the organisation as well.
- ***Control:*** Firms should be able to take charge of their employees and ensure that productivity and quality is achieved and maintained. Control should be exercised carefully so that it does not seem like tyranny.
- ***Coherence:*** All the steps taken by a firm in the management of human resources must be in line with the mission and vision of the firm. HR managers should focus attention on making use of employee capabilities and meeting company requirements from time to time.
- ***Communication:*** Information should be shared in a transparent manner so that everyone is able to carry out work without any hurdles anywhere.
- ***Creativity:*** HR managers should find novel, creative and innovative ways of getting things done through people so that the organisation is able to run ahead of competition.
- ***Competence:*** Every attempt must be made to improve the skills and capabilities of employees – through training and development initiatives – so that they are able to give their best to the organisation.
- ***Credibility:*** Firms must ensure that they remain the best brand to most of their clients by maintaining their credibility. They should put in place strategies that ensure all employees have a clear sense of direction to a common goal.
- ***Change:*** The organisation must try to marshal its forces well in order to run the show in a competent manner in a dynamic environment.

NOTES

- ***Commitment:*** Every organisation has objectives which they intend to meet both for themselves and for their clients. To meet these goals, firms need committed staff therefore it is the firms responsibility to keep their employees motivated so as to ensure they are committed to the organisations course (*Source: Human Resource Management in a Business Context A.J. Price 2000*).

1.6 HUMAN RESOURCE MANAGEMENT: ORIGINS AND GROWTH

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

1. ***The industrial revolution:*** During this period machines were brought in; technology made rapid progress; jobs were more fragmented where the worker did only a small portion of the total job; and specialisation increased speed and efficiency but left workers with dull, boring and monotonous jobs. Workers were treated like 'glorified machine tools'. Employers were keen to meet production targets rather than satisfy workers' demands. Government did very little to protect the interests of workers.
2. ***Scientific management:*** To improve efficiency and speed *F.W. Taylor* advocated scientific management. Scientific management is nothing but a systematic analysis and breakdown of work into its smallest mechanical elements and rearranging them into their most efficient combination. In addition to the scientific study of the task itself, Taylor argued that individuals selected to perform the tasks should be as perfectly matched, physically and mentally, to the requirements of the task as possible and that overqualified individuals should be excluded. Employees should also be trained carefully by supervisors to ensure that they performed the task exactly as specified by prior scientific analysis. A differential piece-rate system was also advocated by Taylor to provide an incentive for employees to follow the detailed procedures specified by supervisors.
3. ***Trade unionism:*** Workers joined hands to protect against the exploitative tendencies of employers and the prohibitive, unfair labour practices through unions. Unions tried to improve the lot of workers through collective bargaining, resolving the grievances of workers relating to working conditions, pay and benefits, disciplinary actions, etc.
4. ***Human relations movement:*** The famous Hawthorne experiments conducted by *Elton Mayo* and his Harvard colleagues during 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

NOTES

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:*** The Human Resources Approach recognises the fact that each employee is unique and wants to be treated differently. People do not dislike work basically. People show a keen desire to achieve goals if the work is structured appropriately. People can use discretion; exercise self direction and self control if they are allowed to work freely. A manager's basic job is to exploit untapped human potential in the service of organisational goals. Even ordinary people can achieve extraordinary things if the work climate is good and there is recognition for meritorious performance. Most principles of HRM are based on the human resources approach only.

1.7 HR MANAGER: ROLE AND STATUS

The key roles played by HR managers in a modern organisation may be discussed as follows:

1.7.1 Administrative Roles

The administrative roles of human resource management include the following:

- ***Policy maker:*** The human resource manager helps management in the formulation of policies governing talent acquisition and retention, wage and salary administration, welfare activities, personnel records, working conditions, etc. He also helps in interpreting personnel policies in an appropriate manner.
- ***Administrative expert:*** The administrative role of an HR manager is heavily oriented towards processing and recordkeeping – such as maintaining employee files, processing employee benefit claims, updating leave and medical records of employees, preparing reports in sync with the laws of the land.
- ***Advisor:*** HR professionals are known for their expert advice. They are expected to assist line managers on matters relating to talent management, grievance redressal, dispute resolution, reward management, etc. They are also expected to formulate and implement personnel policies and programmes following the laws of the land scrupulously.
- ***Housekeeper:*** The administrative roles of a personnel manager in managing include recruiting, pre-employment testing, reference checking, employee surveys, timekeeping, wage and salary administration, benefits and pension administration, wellness programmes and maintenance of records.
- ***Counsellor:*** The personnel manager discusses various problems of the employees relating to work, career, supervisors, colleagues, health, family, financial, social, etc. and advises them on minimising and overcoming problems, if any.
- ***Welfare officer:*** Personnel manager is expected to be the Welfare Officer of the company. Under the Factories Act, Welfare officers are expected to take care of safety,

health and welfare of employees. The HR managers are often asked to oversee if everything is in line with the company legislation and stipulation.

- ***Legal consultant:*** The personnel manager handles grievances, settling of disputes, disciplinary cases, collective bargaining, enabling the process of joint consultation, interpretation and implementation of various labour laws, contacting lawyers regarding court cases, filing suits in labour courts, industrial tribunals, civil courts and the like.

1.7.2 Operational Roles

The operational roles of HR managers may be listed thus:

- ***Recruiter:*** 'Winning the war for talent' has become an important job of HR managers in recent times in view of the growing competition for people possessing requisite knowledge, skills and experience. HR managers have to use their experience to good effect while laying down lucrative career paths to new recruits without increasing the financial burden to the company.
- ***Trainer, developer and motivator:*** Apart from talent acquisition, talent retention is also important. To this end, HR managers have to find skill deficiencies from time to time, offering meaningful training opportunities and bringing out the latent potential of people through intrinsic and extrinsic rewards which are valued by employees.
- ***Coordinator/linking pin:*** The HR manager is often deputed to act as a linking pin between various divisions/departments of an organisation. The whole exercise is meant to develop rapport with divisional heads, using PR and communication skills of HR executives to the maximum possible extent.
- ***Mediator:*** The personnel manager acts as a mediator in case of friction between two employees, groups of employees, superiors and subordinates, and employees and management with the sole objective of maintaining industrial harmony.
- ***Employee champion:*** HR managers have traditionally been viewed as 'company morale officers' or employee advocates. Important obligations of HR managers as champions of employee interests include: placing right people on a right job, charting a suitable career path, rewarding creditable performance, resolving differences between warring groups amicably, adopting family friendly policies, ensuring a fair and equitable treatment to all people, striking a happy balance between employee expectations and organisational requirements, and so on.

1.7.3 Strategic Roles

To remain cost competitive and to achieve success in a competitive world, HR managers have to get the best out of employees. To keep employees in good humour they need to undertake certain proactive steps. They need to bring about radical changes, sometimes, in synchronisation with market needs.

- ***Change agent:*** Strategic HR, as it is popularly called, now aims at building the organisation's capacity to embrace and capitalise on change. It makes sure that change initiatives that are focused on creating high-performing teams, reducing cycle time for innovation, or implementing new technology are defined, developed and deliver in a timely manner. The HR manager in his new role will be helping employees translate the vision statements into a meaningful format. The HR manager's role as a change agent is to replace resistance to resolve, planning with results and fear of change with excitement about its possibilities. HR certainly helps in putting everything in place by taking employees and other stakeholders into confidence.

- ***Strategic partner:*** HR's role is not just to adapt its activities to the firm's business strategy, nor to carry out fire fighting operations such as handling disputes. Instead, it must deliver strategic services cost effectively by building a competent, consumer-oriented workforce. It must assume important roles in strategic formulation, as well as strategy implementation.

1.8 HR MANAGER: PROFICIENCIES AND QUALIFICATIONS

HR managers have to play a variety of roles in order to achieve results and move closer to the hearts of employees. They must possess excellent qualities of head and heart in order to get things done with and through people. They must also possess HR proficiencies, business proficiencies, leadership proficiencies and learning proficiencies in an ample measure, in order to succeed in a highly competitive corporate world. The qualities of a competent HR manager are discussed below:

Personal Attributes: The HR manager, as in case of any other manager, must have initiative, resourcefulness, depth of perception, maturity in judgement and analytical ability. Freedom from bias would enable the personnel manager to take an objective view of the management and workers. He must thus have intellectual integrity. Moreover, the HR manager should be thorough with labour laws. An understanding of human behaviour is essential to enable him to be familiar with human needs, wants, hopes and desires, values and aspirations, without which motivating people can be an onerous task. The HR manager should possess other personal attributes such as:

- ***Intelligence:*** This includes skills to communicate, articulate, moderate, understand, command over language, mental ability and tact in dealing with people intelligently, and the ability to draft agreements and policies and so on.
- ***Learning and coaching skills:*** The HR manager should possess learning and teaching skills as he has to learn and teach employees about the organisational growth, need for and mode of development of individuals, etc. He should stay ahead of rivals, acquire relevant technical knowledge and practices having a major impact on the profession and willing to spread the same among team members.
- ***Discriminating skills:*** HR managers should have the ability and discretion to discriminate between right and wrong, just and unjust, and the merits and demerits of the object in concern.
- ***Leadership skills:*** HR managers should have the skills to lead a team, assume responsibility for actions and deliver results in highly competitive situations.

NOTES

- ***Executing skills:*** The HR manager is expected to execute the management's decisions regarding personnel issues with speed, accuracy and objectivity. He should be able to streamline the office, set standards of performance while coordinating, controlling and creating productive work spaces.
- ***Experience and training:*** Previous experience is undoubtedly an advantage provided the experience was in an appropriate environment and in the same area. Training in psychological aspects of human behaviour, labour legislations and more specifically in personnel management and general management is an additional benefit. Experience in an enterprise in some other executive capacity can also help towards an appreciation of the general management problems and a practical approach in tackling personnel concerns issues.
- ***Professional attitude:*** The personnel manager needs to have a highly professional attitude. He should have patience and the ability to listen before offering advice.
- ***Ethical attitudes and legal compliance:*** HR has an important role to play in developing and implementing the code of moral principles and values that govern the behaviour of employees in an organisation. In the light of what happened in companies such as Enron, WorldCom, Tyco and Satyam Computers because of unethical conduct of top executives, the subject of ethics and legal compliance has acquired great significance in recent times. HR managers need to conduct meticulous background checks on prospective employees. Moreover, they need to orient the employees on ethical dilemmas that could confront them from time to time and how to resolve such issues in an ethical manner. In case of any violation, the company should not hesitate to punish the person concerned. It is now a well-known fact that the CEO of Infosys paid a fine of ₹ 5 lakh voluntarily for failing to inform (because of the demise of his mother) the stock exchanges about selling stock within the mandated time. Such ethical behaviour – especially on part of top management – will always set a shining example of exemplary character and conduct and guide the moves of all employees working therein.

Qualifications: The job of an HR manager is fairly complex. Meeting the ever-increasing needs, aspirations and expectations of employees is not easy. To complicate his role further, top management expects the personnel manager to:

- Convey its commands, instructions, policies and programmes to employees in an effective way
- Liaise with line managers smoothly
- Look after the safety and welfare of employees
- Take care of the legal provisions governing the workplace
- Offer expert advice on issues relating to human resource planning, recruitment, training, appraisal, compensation, etc.

In union–management relations, the personnel manager is expected to soothe frayed tempers, discontent and disagreement while creating dialogue and bringing about peace. While discharging the above duties and responsibilities, he is not expected to lose sight of his moral and social obligations towards employees and the general public. The question of prescribing a set of qualifications for a personnel manager, in view of the expanding list of tasks, makes the search for a suitable candidate rather challenging. Keeping the diversity and elasticity of the personnel manager's job in mind, the following educational qualifications may be necessary to achieve success, in addition to the personal attributes already mentioned.

- Degree from a recognised university
- Postgraduate degree/diploma in HRM/HRD/Labour Welfare/Social Work/ Psychology/Industrial Relations/MBA with specialisation in HRM
- Degree in law (desirable qualification)
- Knowledge of local language

More importantly, the candidate must possess mastery on HR, implying knowledge and understanding of areas such as staffing, development, appraisal, rewards, team building and communication.

Business Mastery: HR professionals – as indicated by most recent surveys – do not seem to have adequate knowledge of how their company actually operates. They have little idea of the company's business model, where the revenues come from and in which direction the company is going. To formulate and implement appropriate strategies HR needs to interact with top management and take a close look at the operational side of the coin. They have to be familiar with strategic planning, production, and marketing and finance functions.

Change Mastery: HR professionals, no doubt, have ideas that could change the face of an organisation. Most line managers tend to dismiss such ideas as text bookish and theoretical. To gain acceptance from people, HR needs to back their ideas with supporting data. In order to implement a retention strategy, for example, HR managers must be clear about how much this would cost and by what percentage the company will be able to increase the employee retention and decrease the attrition; which are the companies that follow this kind of strategy and how effective it has been in their case, etc. To be relevant and useful, HR professionals need to be more analytical and data-oriented.

1.9 HR MANAGER: CHALLENGES IN THE 21st CENTURY

The HR function has undergone rapid changes over the years. The changes brought about due to liberalisation, privatisation and globalisation (LPG era) from the early 1990s have made every firm conscious about keeping costs low and delivering unmatched value to customers. Rapid technological changes have compelled firms to focus on research and development (R&D) and innovation. Survival of the fittest, in a way, has become the rule and not an exception in the economic jungle of the 21st century. Companies, as a result, are forced to show excellent performance and deliver outstanding value to customers in order to survive. This has forced everyone to realise the importance of having talented and competent employees in order to compete effectively. For many companies, lack of talented employees may become a kind of 'make or break' HR issue in the days ahead. The time has come for HR to deliver results and offer significant contributions to the bottom line through effective people management strategies.

NOTES

The workplace of the 21st century has undergone tremendous changes in recent times. Market forces have started dictating terms to the firms. Every firm is expected to deliver excellent results in terms of cost, service, technology and speed. Customers, on their part, have become very intelligent in switching sides in order to pocket resultant gains. They have become notoriously fickle-minded, and mistakes – howsoever insignificant they might be – are not going to be tolerated. The trends in the marketplace are quite disturbing, to say the least, and require close attention.

- ***Globalisation:*** Like water finding its way, firms will rush to places where they are able to find comfort. This would mean pushing down manufacturing, ownership, sales, and design to every corner of the globe, literally – based on how economical such a step would be. This would mean Google going to China, Tata Motors stepping into Africa, IBM getting out of China, or Infosys stepping into rural areas for hiring talent. In the face of globalisation, companies are compelled to work harder and smarter than they did without globalisation.
- ***Technological changes:*** Increased automation, modernisation and computerisation have changed the way traditional jobs are handled. In such a scenario, unless employees update their knowledge and skills constantly, they cannot survive and grow. This has necessitated 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 grow in their careers.
- ***Talent management:*** The war for talent will continue, as it is not easy to find people with requisite skills, knowledge and experience in the marketplace. To compound the problem further, you need to find people with the right kind of mental attitude. As long as there is a cultural mismatch, employee attrition rates will keep rising in the years ahead. Managing layoffs would be a matter of great concern as this will cause serious heartburn among employees leaving the firm. The survivors would look at every move of management with great suspicion. HR managers need to perform the balancing act, bringing everything to the table.
- ***Performance management:*** Companies will be ready to do anything possible to get the best results out of people because they have a compelling reason to remain at the top in this era of global competition. They have to deal with competitive attacks from any corner, from anywhere, from any player – small or big. This is where HR managers could play a major role – that of aligning business strategy with operational dynamics. While converting the rhetoric into concrete reality, HR could play a bigger role – whether in the form of participation in the formation of goals and in their implementation.
- ***Workforce diversity:*** To compete on a global scale most firms have to hire talent from almost every corner of the world. As a result of this workforce diversity has assumed great importance in recent times. HR managers are made to put the systems, policies and practices within a firm in line with the expectations of a diverse work group – in terms of race, religion, caste, region, age, education, etc.

- ***Employee emotions and workplace tensions:*** HR managers are compelled to look into the emotional side of the coin as well. They have to take care of employee emotions and perceptions. Workplace tensions arising out of managerial actions need to be resolved quickly. Unions may often try to fish in troubled waters for their own survival. HR people need to put out fires in such cases, explaining everything in a clear and transparent way. In their own self interest, HR people need to move closer to the hearts of employees and take up all contentious issues on a priority basis and put them to rest. Even minor issues, if not resolved properly could escalate into major fires.
- ***Organisational dynamics:*** Organisations are turning more agile and flexible. They are also getting leaner, cutting the extra fat, wherever it is found. Flatter organisations, cross-functional teams and decentralised structures will bring in the requisite flexibility needed to survive the ups and downs in a business cycle. HR managers will have to give their best while trying to strike the rapport between technology, resources, people and ideas. Investment in human capital (which refers to the knowledge, education, training, skills and expertise of a firm's employees) would prove to be very rewarding. Without significant investments in human capital, organisations will not survive and flourish in a competitive world.

1.10 SUMMARY

- Human resources are the most important assets of a company. If properly motivated, ordinary people can deliver extraordinary results.
- HRM is all about managing people at work and about converting human talent into competitive advantage. It seeks to achieve organisational goals through the effective and efficient use of human resources.
- HRM mainly covers three broad aspects: Personnel, Welfare and Industrial relations aspects.
- HRM aims at achieving organisational goals to 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 to attract and retain talent, train people for challenging roles, develop their skills and competencies, increase productivity and profits, and enhance standard of living.
- The principles of HRM offer a useful framework for all HR managers and help them arrive at appropriate decisions – in the midst of complexity and uncertainty. Most of these principles have been established through practice, experience and observation and they are still evolving.
- Important functions of HRM include procurement, development, compensation, maintenance and integration.

NOTES

- As far as HR managers are concerned, paper qualifications do not matter much. They need to possess excellent qualities of head and heart and run the show in sync with requirement. They should know how to lead teams from the front, playing a crucial mediating role between management (that wants to be cost competitive at all times) and workers (who want a fair share of the cake)without rubbing anyone on the wrong side.
- The challenges faced by HR in 21st century consist of pressures created by rapid technological changes, global competition, changing dynamics of the workforce, lifestyle changes performance related issues etc. Superior HR is not a luxury but competitive necessity in the 21st century where organisations have to compete with each other with more or less same set of resources – except the human resource. It is the quality of human capital that a company possesses and is able to retain in the long run that spells the difference between successful companies and unsuccessful companies.

Review Questions

1. Define 'HRM'. Outline its objectives.
2. Why has the HRM functions increased in stature and influence in many organisations?
3. In what ways can effective HR contribute to profits?
4. Identify the human resource management functions.
5. Identify three ways in which HR can add value to an organisation.
6. What are some of the factors that have increased the organisational status of the HR function?
7. List the attributes, qualifications and skills sets required to get the best out of people in a large organisation.
8. Explain how HR management concepts and techniques can be of use to all managers.
9. Why is it correct to say that all managers are involved in the HRM function?
10. What do you think will be the three most important challenges to HR managers in the next five years? Why did you pick these three?

NOTES

2. HR Policies

STRUCTURE

2.1 HR POLICY: INTRODUCTION

HR policies provide the framework for managing staff, while allowing managers to respond and adapt to individual situations. HR policies serve as a guide to employees on how to conduct themselves in the workplace. They provide rules on how employees should perform their jobs and interact with one another. Established norms of behaviour contribute to creating a positive work environment for all. Establishing consistency across the organisation will help employers maintain order in the workplace. HR policies also serve to protect employers in the court of law. If employees bring their employers to suit, the court may look to the company's HR policies to protect the organisation (or protect the employee if HR policies are deficient).

2.2 DEFINITION

HR policies guide action. They offer the general standards or parameters based on which decisions are reached. They serve as a road map for managers on a number of issues such as recruitment (the job, for example, reserved for physically challenged only), selection (selection based on merit only), promotion (performance leads to promotion) and compensation (only star performers would get performance bonus, not everyone). Important features of HR policies may be listed as follows.

NOTES

2.2.1 Features of Human Resource Policies

- They define the rights and obligations of employees and the employer in the workplace
- They are nothing but a Formal set of rules that define a company's interactions with its employees
- They compel employees to fall in line with established procedures and practices of a company
- They are developed in consultation with management and other employees
- They are formulated by the HR department
- If properly formulated, they act as a frame of reference as a one stop shop for employees seeking information on various company related matters
- HR policies, when established, help both internal as well as external groups to find out when, where, how and by whom work-related matters get resolved smoothly.

2.2.2 HR Policy Manual

An HR policy manual is a document written by a company that explains the various policies and procedures governing hiring, promoting, paying, retiring and firing employees as well as procedures that serve as guidelines for administering employee benefits. Strict adherence to such action guidelines will go a long way in protecting the interests of a company in case of complaints/legal suits from various parties complaining of unfair actions. HR policies bind a company to equitable and transparent methods that clearly spell out the rights and obligations of both employer and employee. They clearly define the terms and conditions of employment and establish clear criteria for hiring, promoting, disciplining or even firing employees. In case of trouble or dispute over anything, the policy manuals can be readily referred to for a possible solution. Top management, of course, is ultimately responsible for laying down such a path that is fair and acceptable to one and all. It is always better to seek professional help from legal experts before coming out with a policy manual, so that the laws of the land are strictly adhered to and there is no attempt to cover up anything.

2.3 TYPES OF HR POLICIES

These may be classified into several categories depending on (*i*) their source (originated appealed and imposed) (*ii*) scope (general or specific) and (*iii*) form (written or implied). These may be stated thus:

- ***Originated policies:*** These are established by top management deliberately so as to guide executive thinking at various levels.
- ***Appealed policies:*** These are formulated to meet the requirements of certain peculiar situations which have not been covered by the earlier policies. Such requests usually came from subordinates who fail to handle the cases based on guidance offered by existing policies.
- ***Imposed policies:*** These are formed under pressure from external agencies such as government, trade associations and unions.

NOTES

- ***General policies:*** They reflect the basic philosophy and priorities of the top management in formulating the broad plan for mapping out the organisation's growth chart.
- ***Specific policies:*** These policies cover specific issues such as hiring, rewarding and bargaining. Such policies, however, should be in line with the basic framework offered by the general policies.
- ***Written or implied policies:*** Implied policies are inferred from the behaviour of members (such as dress code, gentle tone while talking to customers, not getting angry while at work etc.). Written policies, on the other hand, spell out managerial thinking on paper so that there is very little room for loose interpretation.

2.3.1 Characteristics of a Sound HR Policy

While developing sound HR policies, management should pay attention to the following:

- ***Related to objectives:*** Policies must be capable of relating objectives to functions, physical factors and company personnel.
- ***Easy to understand:*** Policies should be stated in definite, positive, clear and understandable language.
- ***Precise:*** Policies should be sufficiently comprehensive and prescribe limits and yardsticks for future action.
- ***Stable as well as flexible:*** HR policies should be stable enough to assure people that there will not be drastic overnight changes. They should be flexible enough to keep the organisation in tune with the times.
- ***Based on facts:*** HR policies should be built on the basis of facts and sound judgement and not on personal feelings or opportunistic decisions.
- ***Appropriate number:*** There should be as many personnel policies as necessary to cover conditions that can be anticipated, but not so many that they become confusing or meaningless.
- ***Just, fair and equitable:*** Personnel policies should be just, fair and equitable to internal as well as external groups.
- ***Reasonable:*** HR policies must be reasonable and capable of being accomplished. To gain acceptance and commitment from employees, they should be 'conditioned by the suggestions and reactions of those who will be affected by the policy'.
- ***Review:*** Periodic review of HR policies is essential to keep in tune with changing times and to avoid organisational complacency or managerial stagnation.

2.3.2 Formulation of HR Policies

Policy formulation and implementation involves the following steps:

1. ***Identifying the need:*** Initially important areas of personnel management (recruitment, selection, training, compensation, bargaining) must have a policy formulation which is clearly spelt out. Additional policy guidelines can come at any stage depending on the recurrence of a ticklish issue at various levels. (appealed policies).

NOTES

2. ***Collecting data:*** Once priority areas are listed, steps should be taken to collect facts before formulating a policy. Various sources could be tapped for this purpose such as (*i*) company's records (*ii*) past practices (*iii*) survey of industry practices (*iv*) experience of personnel handling various issues (*v*) top management philosophy (*vi*) organisational culture (*vii*) employee aspirations and (*viii*) changing economic, social and legislative environment, etc.
3. ***Specifying alternatives:*** Policy alternatives should emerge clearly after collecting relevant data from various sources. These have to be evaluated carefully in terms of their contribution to organisational objectives. It is always better to involve people at various levels, especially, those who are going to use and live with such policies. Top management should put the stamp of approval only when everything is above board and the stated policy clearly reflects organisational priorities.
4. ***Communicating the policy:*** To gain approval at various levels, the formulated policy should be communicated throughout the organisation. Policy manual, in-house journal and discussions with people at various levels may be used to reach out to employees quickly. Special coaching programmes can also inform people about the manner of application.
5. ***Evaluating the policy:*** Personnel policies, to be effective, must be reviewed, evaluated and controlled regularly against certain established standards. Evaluation helps determine changes in existing policies. All the policies should be reviewed annually and some policies should be reviewed at specific times for example when there is collective bargaining or after strike/lockout, etc.

2.3.3 Government Policies and Human Resources

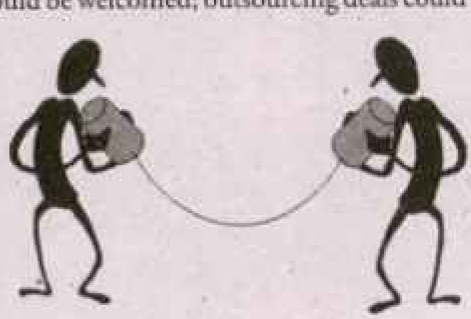
The LPG era (liberalisation, privatization and globalisation) have changed the face of Indian industry, more or less, permanently. The economic reforms – removal of entry barriers, liberalised imports, boost to foreign direct investment flows, devaluation of rupee, rationalisation of duties, lifting of exchange controls, export promotion measures, capital market and banking sector reforms, removal of restriction and controls, allowing companies to indulge in mergers and acquisitions freely, open invitation to multinationals to set up shop in India etc – have virtually compelled every Indian company to think about three things mainly – how to remain cost competitive, how to improve quality so as to compete on a global scale, and how to improve service to customers so that their survival is not open to doubt. The answer to all these three questions, fortunately, is a simple one. Focus more on the employees who are the new 'corporate heroes' and gain the competitive advantage over rivals by keeping them in good humour. Also, companies are made to understand that there is no free lunch in the market place. Every company – public sector or private sector – has to cut costs, improve quality and customer service in order to survive and flourish in a highly integrated, networked global economy. In sync with the changed realities of the game, the response of the Indian government has also changed quite dramatically – in terms of policy measures and action plans. Let us run through these developments quickly.

NOTES

2.4 DOWNSIZING AND HR

Downsizing is a way of life in organisations today. Thanks to the recessionary conditions, it's proving to be an inter-continental nuisance. Although intended to produce positive results, downsizing does more harm than good to workforce (Cascio, 2004). It's a bolt from the blue for the unfortunate workers thrown out of the ship. Survivors miss their beloved colleagues and are forced to grapple with an uncertain work environment, unreliable and unrealistic expectations of management etc. Many talented employees would quit the company in a hurry. The aftermath of downsizing is a wounded workforce that is stressed, demotivated and shattered beyond belief. Here is an opportunity for HR to play a key leadership role and take a constructive approach before, during and after the downsizing initiative aimed at improving sentiments and bring everything back to normalcy. Important HR initiatives in this connection include:

- ***Employee involvement:*** To arrest the flight of talent and to build the survivors' commitment, HR should employees from all levels of the organisation into confidence – with a view to challenge current practices, policies, and procedures and to recommend changes. Cost saving ideas could be welcomed; outsourcing deals could be struck, flexible work schedules could be followed, rewards and benefits could be reworked to ensure a fair and equitable treatment to all. Any such consultative approach would make employees feel that they are treated with respect and dignity even under trying circumstances and help improve overall sentiment and climate in the organisation.



- ***Communication:*** Employees do not want to be kept in darkness especially on issues affecting their livelihood. It will only breed mistrust of management and dampen their spirits considerably. A candid, two-way communication exercise would help in clearing the fog surrounding downsizing. Employees need to understand why downsizing is taking place, what would happen to those who are asked to leave and how it benefits the organisation and what is the immediate next step that they need to look forward with hope. Downsizing will evoke terrific negative feelings – of being pushed to the wall, being thoroughly exploited and left to chance – when management fails to communicate the reasons behind such a prohibitive, but inevitable step. A full and open communication of reasons would reassure survivors that management is doing everything possible to come out of the mess and is trying its best to create a healthier organisation.
- ***Support programmes and selection processes:*** A well-planned support programme for the surviving as well as separting employees necessary – because downsizing comes with lot of emotional baggage in the form of guilt, anger, fear, denial, embarrassment and stress. The organisation must help separating employees find their feet in the market – especially in their search for new employment. The supportive effort may

NOTES

cover career counselling, stress management, outplacement assistance, financial planning before and after the downsizing, etc., while identifying the 'at risk' employees, strict adherece to ethical values, moral standards and weel established procedures is essential. Survivors must inevitably get a feeling that the layoff policy is a fair one and is not being coloured by personal biases. While drawing the curtain between 'at risk' employees and separating employees, it is always better to explain the selection criteria and encourage employees to discuss their fears openly.

- ***Human resource management tools and systems alignment:*** During a downsizing initiative, HR managers should also focus on aligning HR programmes, policies and systems with a lean and healthy looking outfit. In an attempt to build confidence and earn the trust of survivors new initiatives in the form of stock options and profit sharing plans could be introduced – demonstrating that any constructive effort in rebuilding the organisation would be appropriately rewarded. To ease the pressure, flexible schedules could be planned, day care/elder care clinics could be introduced and jobs could be redesigned, empowering surviors to think and act independently – keeping the best interests of the company in mind.
- ***Training and development:*** Survivors must be helped to adjust to the new challenges brought in by a new-look organisation and its culture. To this end, training in skill and knowledge upgradation must be offered almost simultaneously. Employees must also be equipped with the attitude, language and tools needed to handle the emerging and future challenges. This would certainly jack up training and development budgets of organisations. However, the effort would pay off in the long run because employees would be better equipped to handle future challenges with relative ease and comfort.

'*Job massacres*' may help reduce costs but the side effects are disproportionately high. If not handled properly, top talent will vanish within no time. Saddled with heavier work-loads, survivors may become victims of stress and burnout sooner than expected, suffer serious stress related problems. "If no alternatives to layoffs exist, HR managers can make them seem less arbitrary and cruel by keeping the communication lines open and explaining with dignity the strategy behind them. They can provide outplacement services, generous severance pay, and family counseling. They can also offer resources for self-evaluation, and employee retraining or job redeployment to enhance skills that will make the fired worker more employable, easing the transition to another job. If they can't guarantee employment, they can at least guarantee employability." (*Sami and Hollman, 1998*)

2.5 THE NEW EMPLOYMENT RELATIONSHIP AND HR'S ROLE

The relationship between the employer and the employees has undergone a radical change in the 21st century. The employer has a compelling reason to bring down costs, remain competitive, and offer the best products and services to get past competition. To attract talent, he is willing to offer a challenging job, come out with an attractive compensation package and bombard the prospective job seekers with benefits and concessions that were never heard of before. But not job security. When there is an economic downturn or when

NOTES

the employee is not contributing enough the employer wants the headcount to be cut down to size, without any hesitation. The employee, on the other hand, is looking for a rewarding job, full of challenge, excitement and fun. He is constantly on the look out to get past rivals and reach a top position – sometimes, by any means. The moment he finds an irresistible opportunity outside, he is prepared to shift gears and change positions. In this competitive environment, traditional ideas such as commitment to the job, loyalty to a company and remaining faithful to a work group do not seem to excite anyone in the job market. It is more or less a contractual arrangement now between the employer and the employee – in place of a life long commitment of service to each other. Both parties exhibit a pronounced preference for flexibility in thinking as well as actions. The employer is willing to pay more for quality. The employee is willing to go that extra mile to improve his career prospects. The employer has to invent ways and means to attract talent. Training opportunities, profit sharing plans, extra bonuses, two way communications, flexible work arrangements are all part of that strategy. This is where HR managers are expected to play a strategic role, using their 'soft skills' to good advantage. They have to go beyond the rule book, find out what the employees want, customize job offers that are in sync with expectations of job seekers, put talented employees on jobs that are challenging, motivate people to give their best, develop employee skills and knowledge constantly, and explore creative paths to enrich campus atmosphere. Managing knowledge workers is not going to be easy, especially when every company knows that talent is going to be the key differentiator between a successful company and an unsuccessful one *("What it means to be a Strategic HR leader in the 21st Century", SHRM Foundation, 2003).*

2.6 MANAGING DIVERSITY

In the light of above discussion, managing diversity may look like a contradiction within itself. It means being precisely aware of characteristics common to a group of employees, while also managing these employees as individuals. It is not just tolerating or accommodating all sorts of differences arising out of diverse backgrounds and divergent expectations but supporting, encouraging and utilising these differing points of view to a firm's advantage.

- ***Gaining and keeping market share:*** As businesses expand their operations and gain entry into global markets, managers having exposure to multiple markets are in great demand. If a manager with a deep understanding of Indian retail business were to join Lifestyle, the Landmark Group's retail venture in India, for example, he will be in a position to assess customer preferences and choices better. (*See "Differences can be strengths", People Management, April 20,1995*). It becomes relatively easy to position a product matching customer expectations in terms of size, colour, fragrance etc. Morrison, who carried out a study of 16 private and public organisations in United States, cites a case in which one company lost an important opportunity for new business in a southwester city's predominantly Hispanic community. The lucrative business ultimately went to a competitor that had put a Hispanic manager in charge of the project who solicited input from the Hispanic community.

NOTES

- ***Significant cost savings:*** According to Morrison, companies face huge penalties if any employee were to drag them to the court on charges of discrimination. (In one case a bypassed woman manager got $17.7 million from Texaco). They also incur high costs in recruiting, training, relocating and replacing employees and in offering competitive compensation packages. A little bit of compassion, nurturing attention and equitable rewards would help retain nontraditional managers on their jobs and this would, in turn, increase comfort levels of employees working at lower levels – especially those belonging to the same group – leading to significant cost savings.
- ***Increased productivity and innovation:*** Many executives quoted in Morrison's study have found that employees who were treated with respect and were at ease in their work setting enjoyed coming to work and performed at a high level. Her study also concluded that a multicultural approach had a positive impact on employees' perception of equity. They were found to be more innovative, agile and productive.
- ***Better quality management:*** Morrison also found that including nontraditional employees in fair competition for advancement usually improved the quality of management by offering a wider pool of talent. The interactions with colleagues having diverse backgrounds helped managers develop breadth and openness.
- ***Enhancement of organisational flexibility:*** A diverse work organisation has to live with different styles and multiple approaches. It cannot afford to be restrictive on the operational front. Policies and procedures have to be kept very flexible to accommodate divergent points of view. This would certainly help organisations to become more flexible and thus better able to respond quickly to environmental changes.

As things stand today, many organisations are taking a more practical view of diversity, especially, while trying to convert the challenge into an oppdrtunity. The positive results of increasing amount of research highlighting the advantages of diversity have also improved sentiments further.

2.7 CHALLENGES IN MANAGING A DIVERSE WORKFORCE

Diversity can turn out to be a big liability in the hands of a manager who is not sensitive to the needs, concerns and expectations of a diversified work group. It can pose lot of problems when a particular section of employees feel neglected or bypassed. The perceived inequity might reside only in the brains of some who might have been pushed to a corner on grounds of poor performance. Subsequent law suits could threaten the very existence of a company. When the reputation of a company, for right or wrong reasons, takes a serious dent, it may be difficult to attract talent later on. Some of the challenges may seem insurmountable but with commitment and sincerity managers can cross over the hurdles.

- ***Unexamined assumptions:*** Seeing the world from someone else's perspective is a real challenge. Our own assumptions and viewpoints seem perfectly in tune with the

NOTES

requirements of a situation. We see no reason why we should pick up a female when a more qualified male is available for a front office job. Reasons like friendly face, beautiful smile, polished accent, seem totally irrelevant. Paper qualifications make all the difference. When you change sides, shift gears and change hats – perhaps, you might begin to appreciate that after all a male may not fit into a front office job. He tends to move away from desk for a variety of reasons: have tea, pick up newspaper, and chat with a friend, smoke in the lobby and so on. A fresh set of unintended assumptions begin to engulf the mind.

- ***Lower cohesiveness:*** Diverse groups, typically, are less cohesive than homogeneous groups. There is visible lack of similarity in language, culture, experiences etc. so how can they get along and produce results cooperatively? Mistrust, miscommunication and attitudinal differences reduce cohesiveness and affect productivity negatively. Unable to get along, many may even quit the field in frustration. Unless managers take the lead and set common goals and explain the rewards that follow performance, it may be difficult to bring them to a common platform and achieve results.
- ***Communication problems:*** Diverse groups carry lot of emotional baggage in the form of misunderstandings, inaccuracies, inefficiencies. You have to explain things again and again to achieve clarity. Members may fail to keep pace with the manager and come back with lots of questions. In any case, the whole process is reduced to a feeble walk.
- ***Mistrust and tension:*** Since there is limited interaction and low familiarity with members belonging to a particular community, region, race of religion you do not like to share your feelings and opinions freely. People generally prefer to get along with others who are like themselves. The way you dress, eat, and get along may be subjects of animated discussion in office corridors – especially in places where there is a clear dividing line between people.
- ***Stereotyping:*** We tend to see the world in a particular manner (stereotyping) based on our background and experience. Such a jaundiced view could have negative or positive connotations. As a result, we may stereotype women as not loyal to their careers, older workers unwilling to learn new skills, minority group members as incapable of doing things differently, etc. Sometimes, a positive view may not be in sync with reality. We may stereotype Indians as good for software positions because they are good in English and Mathematics! "Unless managers are aware of their stereotypes, either their own or those held by others, the stereotypes can directly affect how people in their organisation are treated. Employees stereotyped as unmotivated or emotional will be given less-stress-provoking jobs than their coworkers. Those job assignments will create frustrated employees, perhaps resulting in lower commitment, higher turnover and underused skills" (*Adler; Cox*).

In an increasingly multicultural business environment, managers need to develop appropriate skills and strategies to overcome diversity related problems.

NOTES

2.8 SUMMARY

- HR policies provide the framework for managing staff, while allowing managers to respond and adapt to individual situations. HR policies serve as a guide to employees on how to conduct themselves in the workplace. They provide rules on how employees should perform their jobs and interact with one another.
- Personnel/HR policies are guides to actions. They serve as roadmaps for managers on a number of issues such as recruitment, selection and promotion. They cover almost all functions of personnel management.
- The various types of personnel policies include: originated, appealed, imposed, general, specific, written or implied ones. HR Policies, as useful instructional devices, offer many advantages to the personnel working at various levels
- A good personnel policy should be easy to understand, based on facts, equitable, reasonably flexible, precise and related to objectives.
- The personnel policy formulation is a five step process involving: need classification, data collection, specification of alternatives, communication of policy and evaluation.

Review Questions

1. What is personnel policy? Describe the important personnel policies that affect the job of a personnel manager.
2. Explain the coverage of personnel policies. Describe the qualities of a sound personnel policy.
3. Explain how HR policies help in management of human resources?
4. Define HR policies and discuss their nature and importance.
5. Write short notes on:
   (a) HR Policy initiatives by Government of India since 1990s
   (b) Obstacles in administering personnel policies
   (c) HR Policy Manual and its Importance
   (d) Steps involved in the formulation of personnel policies
6. How do you evaluate the impact of personnel policies in an organisation?
7. What is meant by diversity, and what are the major reasons that have made it a challenge for today's organisations?
8. Outline the major characteristics of diversity.
9. How can diversity be managed? Offer suggestions at both the individual and organisational levels.

3. Human Resource Information System

NOTES

STRUCTURE

3.1 INTRODUCTION

A Human Resources Information System (HRIS) is a system that lets you keep track of all your employees and information about them. It is usually done in a database or, more often, in a series of inter-related databases.

Tannenbaum (1990) defines HRIS as a technology-based system used to acquire, store, manipulate, analyse, retrieve, and distribute pertinent information regarding an organisation's human resources.

Kovach et al., (1999) defined HRIS as a systematic procedure for collecting, storing, maintaining, retrieving, and validating data needed by organisation about its human resources, personnel activities, and organisation unit characteristics. Furthermore, HRIS shape integration between human resource management (HRM) and Information Technology. It merges HRM as a discipline and in particular basic HR activities and processes with the information technology field (Gerardine DeSanctis, 1986: 15).

As is the case with any complex organisational information system, an HRIS is not limited to the computer hardware and software applications that comprise the technical part of the system it also includes the people, policies, procedures, and data required to manage the HR function (Hendrickson, 2003).

3.2 COMPONENTS OF HUMAN RESOURCE INFORMATION SYSTEM

NOTES

Kovach et al., (1999) presented the three major functional components in any HRIS by giving the model below:

Input ——————— Data Maintenance ——————— Output

The Input function enters personnel information into the Human Resource Information System. Data entry in the past had been one way, but today, scanning technology permits scanning and storage of actual image off an original document, including signatures and handwritten notes. The maintenance function updates and adds new data to the database after data have been entered into the information system. Moreover, the most visible function of a Human Resource Information System is the output generated. According to Kovach et al., (1999), to generate valuable output for computer users, the Human Resource Information System have to process that output, make the necessary calculations, and then format the presentation in a way that could be understood. However, the note of caution is that, while it is easy to think of Human Resource Information Systems in terms of the hardware and software packages used to implement them and to measure them by the number of workstations, applications or users who log onto the system, the most important elements of Human Resource Information System are not the computers, rather, the information. The bottom line of any comprehensive Human Resource Information System is to ensure information validity, reliability and utility first and the automation of the process second.

3.3 USERS OF HUMAN RESOURCE INFORMATION SYSTEM

HRIS meet the needs of a number of organisational stakeholders. Typically, the people in the firm who interact with the HRIS are segmented into three groups (Anderson, 1997):

(1) HR professionals,

(2) Managers in functional areas (production, marketing, engineering etc.) and

(3) Employees.

HR professionals rely on the HRIS in fulfilling job functions (regulatory reporting and compliance, compensation analysis, payroll, pension, and profit sharing administration, skill inventory, benefits administration etc.). Thus, for the HR professional there is an increasing reliance on the HRIS to fulfill even the most elementary job tasks. As human capital plays a larger role in competitive advantage, functional managers expect the HRIS to provide functionality to meet the unit's goals and objectives. Moreover, managers rely on the HRIS's capabilities to provide superior data collection and analysis, especially for performance appraisal and performance management.

NOTES

Additionally, it also includes skill testing, assessment and development, résumé processing, recruitment and retention, team and project management, and management development (Fein, 2001). Finally, the individual employees become end users of many HRIS applications. The increased complexity of employee benefit options and the corresponding need to monitor and modify category selections more frequently has increased the awareness of HRIS functionality among employees. Web-based access and self-service options have simplified the modification process and enhanced the usability of many benefit options and administratior. alternative for most employees.

3.4 FUNCTIONS OF HUMAN RESOURCE INFORMATION SYSTEM

Human Resource Information System's function can be broadly classified into two processes:

(a) Data Collection

(b) Data Management

The Guest's theory of HRM was based on four HR policy goals: strategic intentions, commitment, flexibility and quality. These policy goals, nevertheless, were related to HRM policies expected to produce desirable organisational outcomes. The four policy goals were described as:

- ***Strategic intention:*** ensuring that HRM is fully integrated into strategic planning by allowing coherent HRM policies, which enable line managers to use HRM practices as part of the day-to-day work.
- ***Commitment:*** ensuring that employees feel bound to the organisation and are committed to high performance through excellent behavior.
- ***Flexibility:*** providing an adaptable organisation structure and functional flexibility based on multiple skills.
- ***Quality:*** enabling a high quality of goods and services through high-quality flexible employees.

For, Flint et al., (2005) the field of Human Resource Management (HRM) has in recent times been seen as moving away from a supportive - selecting, training, and retaining- (Porter, 1996) to a strategic role (Bartlett & Ghoshal, 2002). The latter explained that rather than being supportive, focusing on recruiting, training and taking care of benefits, HRM's role has become strategic building and using human capital to ensure competitive advantage.

Functional HRIS must create an information system that enables an assimilation of policies and procedures used to manage the firm's human capital as well as the procedure necessary to operate the computer hardware and software applications (Hendrickson, 2003). While information technology affects Human Resource (HR) practices (Lengick- Hall et al., 2003) HRIS and HRIS administration comprise a distinct supporting function within HR. Some of the HRIS functions are given in succeeding paragraphs.

NOTES

Integrating the Technologies of HR

Developments in Information Technology have dramatically affected traditional HR functions with nearly every HR function (example, compensation, staffing, and training) experiencing some sort of reengineering of its processes. However, this process of change has created significant challenges for HR professionals resulting in the transformation of traditional processes into online processes.

Increased Efficiency

Rapid computing technology has allowed more transactions to occur with fewer fixed resources. Typical examples are payroll, flexible benefits administration, and health benefits processing. Though technologies of early mainframes provided significant efficiencies in these areas, the difference is that the record processing efficiencies that were once only available to large firms are now readily available to any organisation size (Ulrich, 2001).

Increased Effectiveness

Most often, as with processes, computer technology is designed to improve effectiveness either by in terms of the accuracy of information or by using the technology to simplify the process. This is especially the case where large data sets require reconciliation. However, onerous manual reconciliation processes may be executed faster, but also with near perfect accuracy using automated systems. For instance, pension and profit sharing applications, benefits administration, and employee activities are just to mention but a few. Using computer technology in these processes ensures accurate results and offer substantial simplification and timeliness over manual processing. Consequently, the vast majority of HR functions have had some degree of automation applied in order to gain both efficiency and effectiveness.

IT-Enabled Processes

While many of the application areas' gains are through increased effectiveness and efficiency over manual processing, some are only possible using contemporary technologies. Most notably, computer-based (web-based) training is a growing area of HR practice that was not available until computer software was created. Even computer based training was not as practical as it is today because it was geographically dispersed until the training was upgraded from computer-based to web-accessible training. However, by taking traditional computer-based training programs and making them accessible on the Internet, firms have created a powerful tool to upgrade and assess employee skill sets. Moreover, many other traditional HR functions have evolved Information Technology (IT) -dependent components with the advent of the Internet. Online recruitment centers, along with the ability to conduct virtual interviews, background checks, and personnel tests on-line have dramatically changed those processes, increasing the geographic reach of firms for potential employees.

3.5 OBJECTIVES OF HUMAN RESOURCE INFORMATION SYSTEM

NOTES

An organisation gains competitive advantage by using its employees effectively, drawing on their expertise and ingenuity to meet clearly defined objectives. Torrington et al., (2005: 5) identified the role of the human resource functions with the key objectives. These four objectives are the corner stone of all HR activities. These include Staffing, Performance, Change-management and Administration. Staffing objective focuses on finding the appropriate pool of human resources needed to ensure fully and timely supply of work force (Ibid). It therefore involves designing organisational structures, identifying working conditions for different groups of employees followed by recruiting, selecting and developing the personnel required to fill the roles. Performance objective aims at ensuring workforce motivation and commitment for effective performance. Consequently, employees training and development remain important.

Typically, the better The Human Resource Information Systems (HRIS) provide overall:

- Management of all employee information.
- Reporting and analysis of employee information.
- Company-related documents such as employee handbooks, emergency evacuation procedures, and safety guidelines.
- Benefits administration including enrolment, status changes, and personal information updating.
- Complete integration with payroll and other company financial software and accounting systems.
- Applicant and resume management.

The HRIS that most effectively serves companies tracks:

- attendance and PTO use,
- pay raises and history,
- pay grades and positions held,
- performance development plans,
- training received,
- disciplinary action received,
- personal employee information, and occasionally,
- management and key employee succession plans,
- high potential employee identification, and
- applicant tracking, interviewing, and selection.

An effective HRIS provides information on just about anything the company needs to track and analyse about employees, former employees, and applicants. Your company will need to select a Human Resources Information System and customize it to meet your needs.

NOTES

With an appropriate HRIS, Human Resources staff enables employees to do their own benefits updates and address changes, thus freeing HR staff for more strategic functions. Additionally, data necessary for employee management, knowledge development, career growth and development, and equal treatment is facilitated. Finally, managers can access the information they need to legally, ethically, and effectively support the success of their reporting employees.

In addition to focusing day to day working HRIS also toady meet the strategic human resource management and HR strategy. HRIS assists in a number of important themes associated with the notion of SHRM (Bratton and Gold 2003: 37). These are:

- Re-engineering
- Leadership
- Workplace learning
- Trade unions

3.6 ADVANTAGES OF HUMAN RESOURCE INFORMATION SYSTEM

In today's corporate world human resources has come to play a very critical role in a business. Whether it concerns the hiring and firing of employees or whether it concerns employee motivation, the Human Resources department of any organisation now enjoys a very central role in not only formulating company policies, but also in streamlining the business process.

To make a human resource department more effective and efficient new technologies are now being introduced on a regular basis so make things much simpler and more modernized. One of the latest human resource technologies is the introduction of a Human Resources Information System (HRIS); this integrated system is designed to help provide information used in HR decision making such as administration, payroll, recruiting, training, and performance analysis.

Human Resource Information System (HRIS) merges human resource management with information technology to not only simplify the decision making process, but also aid in complex negotiations that fall under the human resource umbrella. The basic advantage of a Human Resource Information System (HRIS) is to not only computerize employee records and databases but to maintain an up to date account of the decisions that have been made or that need to be made as part of a human resource management plan.

The four principal areas of HR that are affected by the Human Resource Information System (HRIS) include: payroll, time and labour management, employee benefits and HR management. These four basic HR functionalities are not only made less problematic, but they are ensured a smooth running, without any hitch. A Human Resources Information System (HRIS) thus permits a user to see online a chronological history of an employee from his /her position data, to personal details, payroll records, and benefits information.

The advantage of a Human Resource Information System (HRIS) in payroll is that it automates the entire payroll process by gathering and updating employee payroll data on a

NOTES

regular basis. It also gathers information such as employee attendance, calculating various deductions and taxes on salaries, generating automatic periodic paychecks and handling employee tax reports. With updated information this system makes the job of the human resource department very easy and simple as everything is available on a 24x7 basis, and all the information is just a click away.

In time and labour management a Human Resource Information System (HRIS) is advantageous because it lets human resource personnel apply new technologies to effectively gather and appraise employee time and work information. It lets an employee's information be easily tracked so that it can be assessed on a more scientific level whether an employee is performing to their full potential or not, and if there are any improvements that can be made to make an employee feel more secure.

Employee benefits are very crucial because they help to motivate an employee to work harder. By using a Human Resource Information System (HRIS) in employee benefits, the human resource department is able to keep better track of which benefits are being availed by which employee and how each employee is profiting from the benefits provided.

A Human Resource Information System (HRIS) also has advantages in HR management because it curtails time and cost consuming activities leading to a more efficient HR department. This system reduces the long HR paper trail that is often found in most HR divisions of companies and leads to more productive and conducive department on the whole.

3.7 COST AND BENEFIT OF HRIS

An HRIS system represents a large investment decision for companies of all sizes. Therefore, a convincing case to persuade decision makers about the HRIS benefits is necessary. The common benefits of HRIS frequently cited in studies included, improved accuracy, the provision of timely and quick access to information, and the saving of costs (Lederer, 1984; Wille and Hammond, 1981). Lederer (1984) discussed why the accuracy and timeliness of HRIS is very important in terms of operating, controlling, and planning activities in HR. In addition, Kovach et al., (2002) listed several administrative and strategic advantages to using HRIS. Similarly, Beckers and Bsat (2002) pointed out at least five reasons why companies should use HRIS. These are:

- Increase competitiveness by improving HR practices
- Produce a greater number and variety of HR operations
- Shift the focus of HR from the processing of transactions to strategic HRM
- Make employees part of HRIS, and
- Reengineer the entire HR function

In their 2002, HRIS survey, Watson Wyatt found that the top four metrics used in formal business cases supporting HRIS were improved productivity within HR organisation, cost reductions, return on investment, and enhanced employee communications. However, companies realize many of these cost reductions and efficiency gains early in

NOTES

the implementation of an HRIS system, so they provide compelling evidence needing to get a project up and running. In fact, the payback period, or the time it takes to recoup the investment, may be as short as one to three years (Lego, 2001). HRIS contribute to cost reductions, quality/customer satisfaction, and innovation (Broderick and Boudreau, 1992). According to Sadri and Chatterjee (2003) computerized HRIS function enable, faster decision making, development, planning, and administration of HR because data is much easier to store, update, classify, and analyse. Moreover, while it may be possible to identify many of the relevant costs (*e.g.*, software and hardware), it is more difficult to quantify the intangible benefits to be derived from an HRIS system. Beyond cost reductions and productivity improvements, HRIS potentially and fundamentally affect revenue channels. However, establishing direct and objective benefits measures is more difficult to achieve.

On the other hand, there are costs associated with HRIS implementation. Moreover, to capitalize on all HR possibilities, workers need to have personal computers and global Internet connections. Some companies facilitate this by providing employees computer discount programs to encourage home usage. In addition, there is inevitably transition costs associated with moving from traditional HR to an HRIS, including slowdowns, mistakes, and other consequences associated with changing legacy systems to integrated suites (Brown, 2002). Hardware costs for servers and software costs for application programs entail sizeable initial outlays and continuing costs over time as better technology becomes available. While many companies are adopting HRIS systems and extolling their benefits, others are reluctant in embarking on such an expensive and time-consuming change. Nevertheless, some firms are adopting less complex forms before attempting to transform their HR departments. However, for those who have already adopted HRIS, many are yet to realize its full benefits. A survey by Towers Perrin found that whiles 80 percent of respondents affirmed employee self-service ability to lower FIR costs, only 5 percent fully achieved this objective; another 35 percent had only partially achieved that objective, and only 3 percent was accelerating Human Resource's transformation to a strategic partner (Ibid).

3.8 DESIGNING A HUMAN RESOURCE INFORMATION SYSTEM

Human Resource Management System (HRMS) is the linking mechanism which connects all decision making centers in an organisation. The development of Human Resource Information System into a mature, enterprise wide solution needs a well thought out process. Implementing HRMS with additional functionality, such as Financials, provides further advantage by enabling the use of an integrated database. Some key differentiators of good HRMS are:

- ***Technology stack:*** one database for all applications, to ensure data integrity;
- ***Integration with the e-business suite:*** including tight integration between such packages as Payroll, Financials, CRM, etc.;

NOTES

- ***Security and hierarchies for matrix organisations:*** a secure drag-and-drop program that graphically depicts versions of hierarchies/organisational charts and allows managers to see where an employee is aligned;
- ***Single sign-on:*** the tight integration between Applications enabling users to switch between applications by selecting the appropriate role (*i.e.*, HR to Recruitment manager, to Accounts Payable);
- ***Compensation workbench:*** a tool to manage and monitor compensation and guarantees for new hires and hires within the company; service overview.
- ***Orphan control:*** provides alerts when a manager with assigned employees is moved, transferred, resigned or terminated, enabling employee re-assignment;
- ***Ease of input:*** through templates that can be configured to simplify data entry for any number of personnel actions, alleviating the need to move between screens while performing data entry.

Developing successful information system solutions to business problems is a major challenge for business managers and professionals today. As mangers you would be required to propose and develop new and improved information systems for your companies. Most of the computer based information systems are conceived, designed and implemented using a systematic development process. Several major activities must be managed in a complete information development system. The process involves firstly *investigating* the need and then studying the economic and technical feasibility of a proposed application. *Analysis* of the system and whether it meets the business need of the organisation, thereafter designing it. After the system has been designed then it is implemented. After the system has been established it is maintained and updated as per requirements.

3.9 MOST COMMON REASONS FOR HUMAN RESOURCE INFORMATION SYSTEM FAILURES

A number of reasons why human resource information systems fail in organisations are:

- There is lack of management commitment and resources, and inadequate numbers of personnel are made available for the project.
- A project team is not assigned for the duration of the project. It is important that the core project team stays with the project from the beginning to its implementation.
- As a result of political intrigue, conflict and hidden agendas, the project is set up for failure.
- Key personnel, *e.g.*, senior HR staff are not included in the project.

3.10 THE DEVELOPMENT, IMPLEMENTATION AND MAINTENANCE OF A HUMAN RESOURCE INFORMATION SYSTEM DATA BASE

The conversion from manual to Human Resource Information System is a significant task that requires careful planning. To be successful, it is imperative that the support from top management is obtained. It is also important the HR Department take full responsibility for the computerisation effort, and not the data-processing department. Three main phases in this process is identified. These are:

NOTES

1. Phase 1 Needs Analysis
2. Phase 2 Design and Development
3. Phase 3 Implementation and maintenance.

3.11 SUMMARY

- A Human Resources Information System (HRIS) is a system that lets you keep track of all your employees and information about them. It is usually done in a database or, more often, in a series of inter-related databases.
- Kovach et al., (1999) presented the three major functional components in any HRIS by giving the model below:

Input ———————— Data Maintenance ———————— Output

- HRIS meet the needs of a number of organisational stakeholders. Typically, the people in the firm who interact with the HRIS are segmented into three groups (Anderson, 1997):
  (1) HR professionals,
  (2) Managers in functional areas (production, marketing, engineering etc.) and
  (3) Employees.
- Human Resource Information System's function can be broadly classified into two processes:
  (a) Data Collection
  (b) Data Management
- An organisation gains competitive advantage by using its employees effectively, drawing on their expertise and ingenuity to meet clearly defined objectives.
- The four principal areas of HR that are affected by the Human Resource Information System (HRIS) include; payroll, time and labour management, employee benefits and HR management.

Review Questions

1. Explain the concept and function of Human Resource Information System in an industrial organisation.
2. Discus the various sub systems of a computerized Human Resource Information System.
3. Define Human Resource Information System and explain its objective and functions.
4. Examine the applications of computerized Human Resource Information System in a modern organisation.

NOTES

5. How is Human Resource Information System beneficial to a big industrial undertaking? Discuss.
6. "Human Resource Information System must be integrated with overall Management Information System of the organisation." Elaborate with statement.
7. Explain the applications of Human Resource Information System in the management of human resource industry.

CASE STUDY The Competitive Advantage of Information Technology

There is nothing like a punchy headline to get an article some attention. A recent piece in the Harvard Business Review (May 2003), shockingly labeled "IT Doesn't Matter," has garnered the magazine more than the buzz than at any time. The article is the talk of the day and every where you go it is cited. But without the title I doubt whether the article would have been noticed. Author Nicholas Carr's main point is that Information Technology is nothing more than the infrastructure of modern business, similar to railroads, electricity, or the internal combustion engineering advances that have become too commonplace for any company to wrangle a strategic advantage from them. Once innovative applications of information technology have now become merely a necessary cost. Thus Carr thinks today's main risk is not under using it but over spending on it.

Before we get to any further, let's have a reality check. First let's ask Mr Hetal Maswani, the Executive Director of Reliance Retail, one of the premier business corporations in the world this question: "How important is information technology is to Reliance?" Here's his answer "It is a business imperative. We're primarily a service oriented company, and the lifeblood for productivity is more about technology that it is about investing in plants and equipment. We tend to get a twenty percent return on technology investment."

Then let's ask the same question to Mr Neelam Dhawan, Managing Director HP India. Here's his answer. "Just about anything in business can be either sink-hole or a competitive advantage. Information technology is often a misunderstood field. You've got a lot of who don't know what they're doing and don't do it very well. For us, IT is huge advantage, just like for many other companies."

Finally, let's see what Andy Grove, former CEO and now Chairman of Intel Corporation, a direct question about IT, "Nicholas Carr's recent article in Harvard Business Review says, 'IT Doesn't Matter.' Is information technology so pervasive that it no longer offers companies a competitive advantage?" Andy says, "In any field, you can find segments that are close to maturation and draw conclusion that the field is homogenous. Carr is saying commercial transaction processing in the United States and some parts of Europe has reached the top parts of the S Curve. But instead of talking about the segment, he put a provocative spin on it – that information technology doesn't matter – and suddenly the statement is grossly wrong. It couldn't be further from the truth. It's like saying I have an old three speed bike, and Lance Armstrong has a bike. So why should he have a competitive advantage?"

Basically, Carr misunderstood what information technology is. He thinks it's merely a bunch of networks and computers. He notes, properly, that the price of those has plummeted and that companies bought way to much in recent years. He's also right that the hardware infrastructure of business is rapidly becoming commoditised and, even more, standardized. Computers and networks per se are just infrastructure. However, one of the article's most glaring flaws is complete disregard for the centrality of software and the fact that human knowledge or information can be mediated and managed by software.

NOTES

Questions

1. Do you agree with the argument made by Nick Carr to support his position that IT no longer gives companies a competitive advantage? Explain.
2. Do you agree with the argument made by the business leaders in this case in support of the competitive advantage that IT can provide to a business? Why or Why not?
3. What are the several ways that IT could provide a competitive advantage to a business? Use some of the companies mentioned in this case as examples. Visit their websites to gather more information to help your answers.

NOTES

UNIT - II: ACQUISITION OF HUMAN RESOURCES

4. Human Resource Planning

STRUCTURE

4.1 INTRODUCTION

The basic purpose of a human resource plan is to match the internal and external supply of people with job openings anticipated in an organisation over a specified period of time. Human Resource Planning (HRP) 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 concerned with the flow of people into, through and out of an organisation (Fisher, 2009).

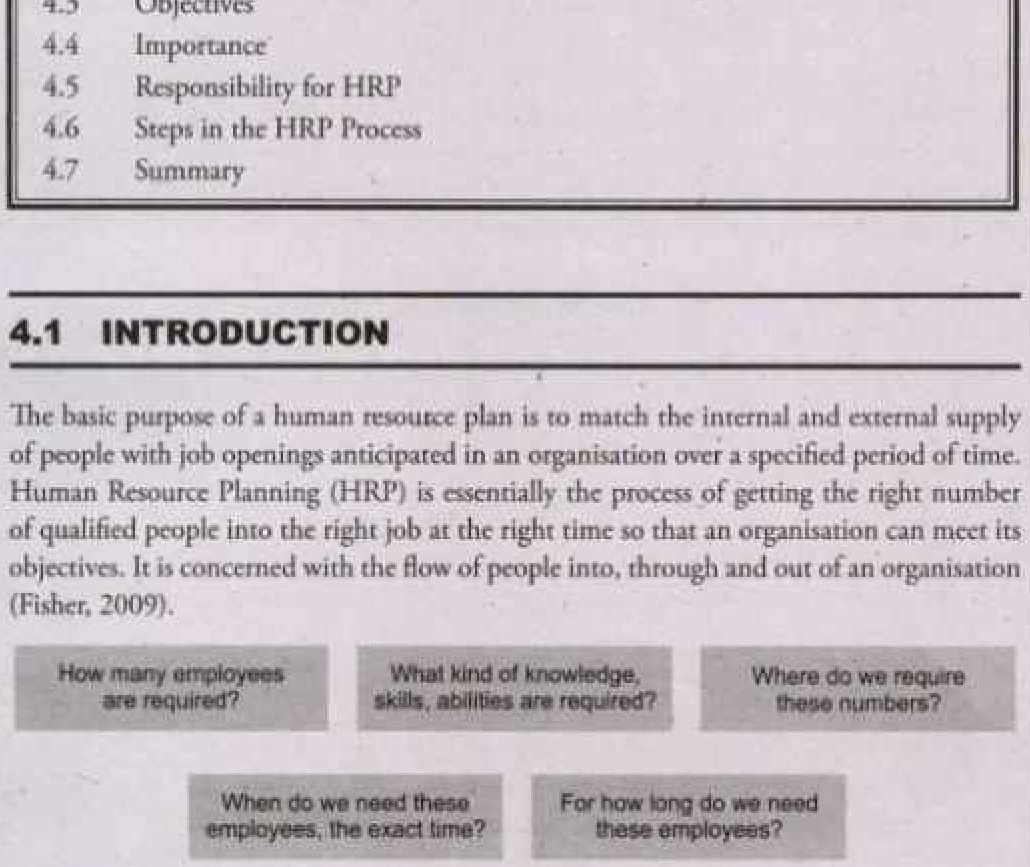


Fig. 4.1 Five Key Questions in Human Resource Planning

4.2 FEATURES

The key features of HRP may be listed as follows:

- ***Forward looking:*** HRP is a forward looking function. It tries to assess human resource requirements in advance keeping the production schedules, market fluctuations, demand forecasts, and so on in the background.

NOTES

- ***In sync with organisational needs:*** The human resource plan is subject to revision, of course, and is tuned to the requirements of an organisation from time to time.
- ***In tune with corporate plan:*** It is an integral part of the overall corporate plan which reflects the broad thinking of management about manpower needs within the organisation.
- ***Proactive:*** Internal as well as external changes impacting the organisation are assessed proactively from time to time so that HR plan would fit in with strategic business objectives. The whole exercise is meant to see that the organisation does not suffer due to non-availability of qualified people even when it tries to expand its operations through mergers, acquisitions, etc.
- ***Get qualified people at a right time:*** The focus of the plan is always on getting right number of qualified people into the organisation at the right time. To this end, human resource plans are prepared for varying time periods, *i.e.*, short-term plans covering a time frame of two years and long-term plans encompassing a period of five or more years. **Getting qualified staff at right time** depends on foresight, experience and a thorough understanding of the dynamics of labour market. Arriving at the right mix of people with requisite skills and qualifications is, therefore, a tough forecasting exercise. The organisation may have to live with multiple scenarios and contingency plans.

4.3 OBJECTIVES

HRP 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.

NOTES

4.4 IMPORTANCE

HRP is an 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, and so on can also be planned in advance.
- ***Succession planning:*** HRP, 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, G~drej 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 step into the roles of their respective bosses without any problem.

4.5 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.

4.6 STEPS IN THE HRP PROCESS

NOTES

The process of human resource planning usually followed in a large organisation consists of the following steps: *(adapted from Phillips and Gully 2009)*

A. Identify Business Strategy and Talent Philosophy

A firm's vision, mission and strategy would impact the current and future staffing needs. HRP must be in sync with the strategic aims of a firm. Every firm has its own way of hiring, promoting, training and developing its employees. These ways would impact the way the whole Human Resource Plan is devised and implemented in an organisation. Labour market conditions, unemployment rates, skill availabilities, changes in technology, laws of the land, etc., are some of the important issues that need to be taken care of by HR planners before moving ahead. (Byars and Rue, 2010).

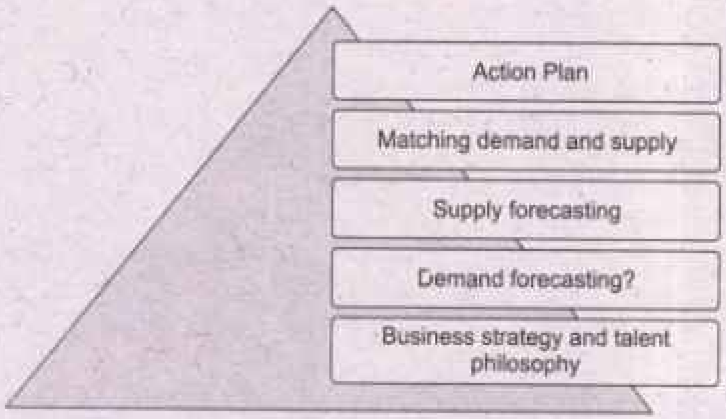


Fig. 4.2 Steps in HR Planning

B. Estimating the Demand for Labour

The demand for talent – that is, people possessing relevant qualifications, requisite skills, essential training and required experience – is basically influenced by three factors:

1. ***External Factors:*** These challenges arise from three important sources: (Lepak and Gowan, HRM, 2009)
   - *Economic influences:* Liberalisation, opening up of banking sector, capital market reforms, the online trading systems have created a huge demand for finance professionals during 1990-95 in India. When there is a boom, companies tend to hire in a big way, leading to sudden spurt in the demand for labour. The demand for information technology workers during the Y2K boom is a good example. Likewise, in times of recession, companies tend to lop off unwanted hands and look for ways and means to cut costs. The general health of the economy, therefore, has a big impact on the availability of workers at a point of time.
   - *Political, legal, social and technical factors:* The demand for certain categories of employees and skills is also influenced by changes in the political, legal and

social structures in an economy. Likewise, firms employing the latest technology in construction, power, automobiles and software, 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.

- *Industry trends:* Companies having a steady demand for products throughout the year (consumer goods, pharmaceuticals) and companies having only seasonal demand (sugar, cement) – have different ways of planning for human resources. Festivals, rituals and country specific traditions also cast a spell on how companies hire additional hands. Managers need to put their HR plans in place understanding the demand for labour during busy times as well as slow times. Many companies are suppliers to other companies. In other words, they don't sell to individual consumers but to firms. To some extent, the labour demand of supplying firms such as these is a function of the success of their customers. The demand for labour in respect of suppliers to companies such as Dell, HP, Toshiba need to observe the demand for computers in the market place and adjust their manpower forecasts accordingly. Sometimes, breakthrough innovations (Apple's iPhone, iPad, iPod, etc.) cast a magic spell on the demand for products leading to sudden demand for certain skills. The sudden demand for digital music affected the fortunes of producers of CDs and cassette players contributing to talent shortages in one field and talent surplus in another industry. It may be easy to predict the unemployment and inflation rates most of the time, but not the labour demand patterns due to the above mentioned reasons.

2. ***Organisational factors:*** 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 or confectionary items, the demand for people possessing requisite skills in those areas in the next couple of years should be looked into carefully. Also, the overall performance of a company influences its labour supply and demand. Companies like Ford, GM might be impacted by the slowdown in demand whereas companies like Maruti, Volkswagen might get ahead with aggressive plans to hire new hands due to increased vehicle sales during a particular period. Better performing companies, other things being equal, always have enough resources to hire top talent when required. Companies that want to expand operations, increase market share, or conquer new markets through mergers and acquisitions seem to play a different ball game in this regard than their counterparts not fully fit to face a competitive battle.

NOTES

3. ***Workforce factors:*** The demand for talent is going to be impacted by several other workforce-related factors such as retirement, termination, resignation, death and unauthorised absence. Of course, these changes can be predicted with a lot of accuracy if HR professionals critically look into computer profiles of employees. These factors will, however, tell us as to how many people we may require at a point of time – if a certain level of business activity is maintained. If the organisation wants to expand its operations, other impacting factors such as availability of finance, technology and quality to be maintained also need to be looked at closely. In any case, productivity depends on capital expenditure, technology, work organisation, employee motivation and skills, negotiated productivity deals and a number of other factors. Thus, the cost of existing labor, including overtime, training, benefits and so on, will put a financial constraint on the organisation's manpower levels.

Demand Forecasting Techniques

A number of manpower forecasting techniques are employed by modern organisations, as discussed below.

1. ***Judgemental method:*** The services of experts are pressed into service in order to forecast the demand for labour. Experts look into quantitative data, use their judgement and experience while arriving at appropriate numbers. When confronted with insufficient data and uncertain environments, smaller organisations have no choice but to depend on forecasts by experienced people. The simplest way – known as the **bottom-up forecasting** method – to arrive at the magical figure is to seek the opinion and guidance from the unit, branch or division to prepare an estimate. The sum of all such estimates prepared at various levels in different divisions or branches is the demand forecast for the whole organisation. In the **top-down forecasting** method, the exercise would commence with top managers. They often meet to discuss how trends, business plans, the economy and other factors would impact the organisation in question. The best and the worst possible scenarios are looked into – in addition to other environmental factors – before an estimate is made. Most organisations prefer to use the Delphi technique for this purpose.
2. ***Trend Analysis:*** One example is **trend analysis**, which forecasts employment requirements on the basis of some organisational index and is one of the most commonly used methods for projecting HR demand. The trend analysis is based on the fact that employee demand could be estimated based on some observable trends in the past.

Trend Analysis (An Example)

2005-06	Production of Units	:	5,000
2006-07	No. of Workers	:	100
	Ratio	:	100:5000
2007-08	Estimated Production	:	8,000
No. of Workers required		:	8000 /5000 × 100 = 160

If supervisors have a span of 20 workers, 8 supervisors are also needed in 2007-08. (160 divided by 20 = 8)

3. ***Ratio analysis:*** Ratio analysis is the analysis of the relationship between some causal factor such as sales volume and the number of employees needed – such as number of new sales representatives. It assumes that there is a relatively fixed ratio between the number of employees required and certain business metrics. Using historical patterns within the firm helps to establish a reasonable range for these ratios. If a company produces 5000 units of a product with 100 current employees, the ratio of the units produced to the number of employees would be 50:1. If the company visualises an increase in production by another 1000 units in the near future, it requires an additional staff of 20 (1000/50).
4. ***The scatter plot:*** A scatter plot shows graphically how two variables such as sales volumes and staffing levels are related. If there is a relationship between the two, you can forecast the sales volumes and alongside the staffing levels.
5. ***Computerised forecasts:*** Computerised forecasts could be prepared by including important variables such as direct labour hours needed to produce one unit of product and three possible sales outcomes – maximum, minimum and probable for the product in question. A typical forecast in terms of assembly line workers and additional secretarial staff required could be generated easily. In a retailing unit for example, based on estimated store traffic and sales forecasts, staffing requirements could be predicted with the help of computers in an objective way. Of course, such forecasts would be useful only when other qualitative factors are also taken into account.
6. ***Simulation models:*** Simulation is a forecasting technique for experimenting with a real world situation through a mathematical model. A model is nothing but an abstraction of the real world. In a simulation model a real world situation is integrated with mathematical logic to predict an outcome. Simulation helps managers to go after many what-if questions without making a decision leading to real world consequences. If asked to predict employment levels using the simulation model, managers might be compelled to seek answers to what-if questions like: what will happen if we put 10 per cent of the present workforce on overtime? What would happen if the plant runs on two shifts? Three shifts? The whole idea behind simulation models is to compel managers to to gain considerable insight into a problem before coming out with a solution.
7. ***Zero-base forecasting:*** The zero base forecasting method uses the organisation's current level of employment as the starting point for determining future staffing requirements. It requires line managers to justify the need to continue with the positions or jobs that fall vacant (due to retirement, death, illness, transfer, etc.) in a particular department. The line managers need to clear specify the need for filling a vacancy. Equal concern is shown for creating new positions when they appear to be needed. The key to zero base forecasting is a through analysis of human resource requirements. It is quite possible that the said vacant position may not be filled and the work is spread among existing staff. Plans may also require line managers to go after outsourcing or other alternatives to hiring if they happen to benefit the company.

NOTES

8. ***Workforce analysis:*** The quality of people that a company requires depends on a number of factors. Job analysis data would help determine the skill requirements of a job. A close look at the available manpower within the organisation would throw light on loss of manpower due to leave, voluntary retirement schemes, 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 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.

Manpower Flows in a Bank

Inflows	Outflows
Transfers into the bank	Job hopping
New recruits joining the bank	Transfers
Promotions internally made	Retirement
Growth opportunities–as pull factors drawing new hires into the bank	Discharge or dismissal
	Termination
	Resignations
	Retrenchment
	Attractions in other banks

9. ***Workload analysis:*** The need for manpower is also determined on the basis of workload analysis, wherein the company tries to calculate the number of persons required for the various jobs with reference to a planned output – after giving weightage to factors such as absenteeism and idle time. The following work load analysis example has focus on this.

Workload Analysis

Planned output for the year	10,000	pieces
Standard hours per piece	3	hours
Planned hours required	30,000	hours
Productive hours per person per year	1,000	hours (estimated on annual basis) (Allowing for absenteeism, turnover, idle time etc.)
No. of workers required	30	

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

While determining manpower requirements through workload 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).

NOTES

10. ***Qualitative techniques:*** Three qualitative techniques are frequently used to forecast HR demand, namely, the Delphi technique, the Nominal group technique and the Scenario analysis: These are discussed below:
    (*a*) *The Delphi technique:* It is a method of forecasting human resource demand that involves a panel of experts using their judgements to make estimates of short-term future demands. Here the experts do not interact face to face but are asked to offer a fairly accurate estimate of manpower requirements during an accounting period through a series of carefully structured questionnaires. These questionnaires are completed independently. The experts (who are still physically separated) and then asked to refine their opinions, phase by phase, until they reach a consensus.
    (*b*) *Nominal Group Technique:* The nominal group is a 'paper group', it is a group in name only. The technique includes the following steps: (*i*) The leader explains the problem to the members of the target group – that is to make an accurate estimate of HR requirements during a particular period, (*ii*) Each member writes down his ideas silently and independently. (*iii*) Each member then presents a single (usually his best) idea at a time to the group, which is written on a blackboard for everyone to see. (*iv*) A discussion is held to explain and evaluate the ideas, (*v*) Silent individual voting is on priority. The basic idea in NGT is to respect interpersonal communication and to increase the deliberation and contributions of individual members. The NGT follows a highly structured process and tries to integrate creative thinking through group interaction in order to solve organisational problems in a useful manner.
    (*c*) *Scenario Analysis:* Scenario analysis involves using workforce environmental scanning data to develop alternative workforce scenarios. This method offers multiple estimates of future HR demand, contingent on a specific set of assumptions and circumstances for each scenario. This method recognises future uncertainties and comes out with forecasts in sync with requirement. For example, forecasts are contingent upon the overall economic outlook of the firm's output. An organisation could create three different estimates accordingly, one for a constant economic situation (*e.g.*, zero growth), a second for some anticipated economic growth (*e.g.*, five percent growth), and a third for the possibility of economic decline (*e.g.*, five percent reduction). Experts can brainstorm and arrive at a consensus regarding the factors that are likely to impact HR forecasts. These can include internal changes (*e.g.*, adoption of new technology, productivity or workforce changes) or external changes (economic position, legal requirements, competitive changes) that cannot be predicted with confidence to have a single effect. The possible result of these changes will create a forecast for each possible scenario that the organisation can expect. The group will assess potential uncertainty and estimate realistic potential future scenarios.

NOTES

C. Estimating the Supply of Labour

Once an organisation is able to forecast its future requirements for employees, it should begin to look both internally and externally to fill the possible vacancies. In the present market scenario, there is no guarantee that employees will remain loyal to their company, especially, when they possess transferable skills. You need to assess from time to time how many vacancies arise due to promotions, demotions, transfers, retirements and resignations at the end of say each quarter. Any talent gains happening due to inflows into the company also need be taken into account. Analysing a company's demographic mix and current turnover rates may help managers forecast how many current staff are likely to still be in the company's workforce at a given forecasting date. Let us examine this by taking a close look at the sources of internal as well as external supply of labour.

1. ***Internal supply analysis:*** Internal sources need to be tapped first so as to keep the interest of members who have acquired considerable amount of experience in a position. Those skills, knowledge and experience could be put to good use if the vacancies are filled up with existing experienced staff. That would also enable the existing staff to scale up to better grades and get the satisfaction of having moved into a better position through years of hard work. It would have a positive effect on their psychology and would boost their morale considerably. A computer profile of employee in terms of age, sex, education, training, years of experience in a particular position and eligibility for next promotion should be readily available in order to facilitate smooth progression of existing staff into superior positions. While doing so, the HR manager should keep an eye on factors such as attrition levels and absenteeism. Replacement charts should also be kept ready, keeping in mind absenteeism, retirement, death, accident rates. It would be a good idea to carry out regular manpower audits with a view to finding out the available talent in terms of skills, performance and potential.

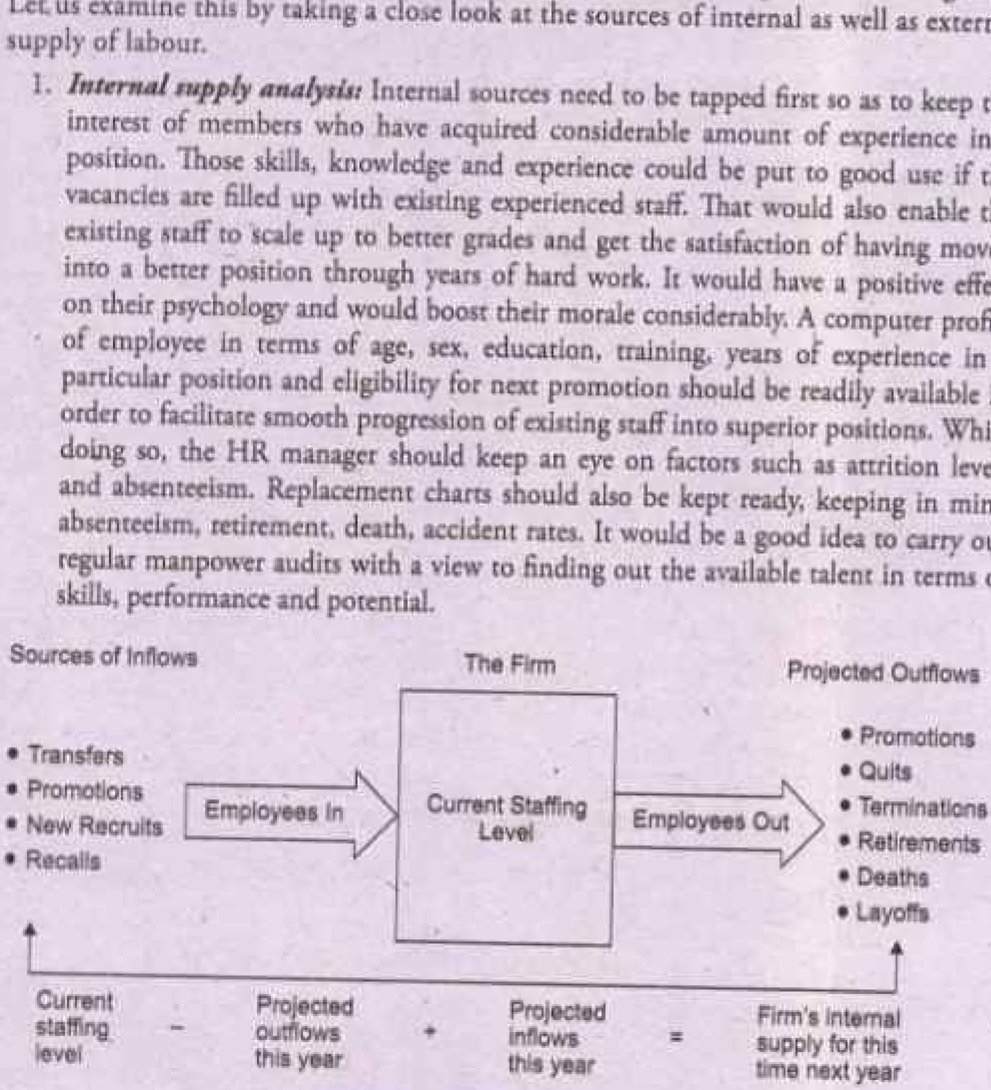


Fig. 4.3 Estimated Internal Supply for a Given Firm.

Forecasting Techniques: Some of the important forecasting techniques may be summarised as follows:

(*i*) *Staffing table:* It presents a simple visual understanding of an organisation's staffing level within each department and the organisation as a whole. It offers a clear graphical picture of organisational jobs and the current number of employees at each job. Additionally, 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.

(*ii*) *Markov Analysis:* A Markov analysis extends beyond the staffing table to help predict internal employee movement from one year to another by identifying percentages of employees who remain in their jobs, get promoted or demoted, transfer, and exit out of the organisation. By tracking and predicting employment movement within an organisation, the Markov analysis allows for the development of a transition matrix to forecast internal labour supply.

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

Fig. 4.4 Markov Analysis for a Hypothetical Retail Company.

(*iii*) *Skills inventories:* A skills inventory is a manual or computerised system designed to throw light on employee's education, experience, special abilities. It would also contain information about employee's formal qualifications, training history, competencies and preferences (such as where X wants to work, what type of job X prefers, etc.). The principal advantage of a skills inventory is that it offers a means to quickly and accurately evaluate the skills available within the organisation. It helps in quickly resolving issues relating to employee promotion, transfer etc. Companies can use the data for deciding things such as bidding for a new contract, introducing a new product, etc. Today's intranets even have the ability to conduct comprehensive skills inventories that help slot employees into training modules that match the requirements of a company.

NOTES

Name: A.K. Sen	**Date printed:** 1-4-2004
Number: 429	**Department:** 41

Key words			**Work experience**			
Word	**Description**	**Activity**	**From**	**To**		
Accounting	Tax	Supervision and analysis	1998	2000	Tax clerk	ABC Company
Book Keeping	Ledger	Supervision	2000	2002	Accountant	XYZ Co.
Auditing records	Computer	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 • Bengalore	• Chess • Football • Boating

Employees Signature ________	HR Department ________
Date ________	Date ________

Fig. 4.5 An Example of a Skills Inventory.

(*iv*) *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. A replacement chart is generally used to estimate vacancies in higher level position and identify how potential HR supply can fill such vacancies via internal movements from lower level jobs. When prepared with due care, replacement charts can offer information regarding possible replacements for vertical as well as horizontal movement.

2. ***External labour supply analysis:*** 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. Organisations, nowadays, do not generally track the qualifications of thousands of employees manually. Details of employees in terms of knowledge, skills, experience, abilities, etc., are computerised, using various packaged software systems. (There are over 300 computerised human resource information systems now available).

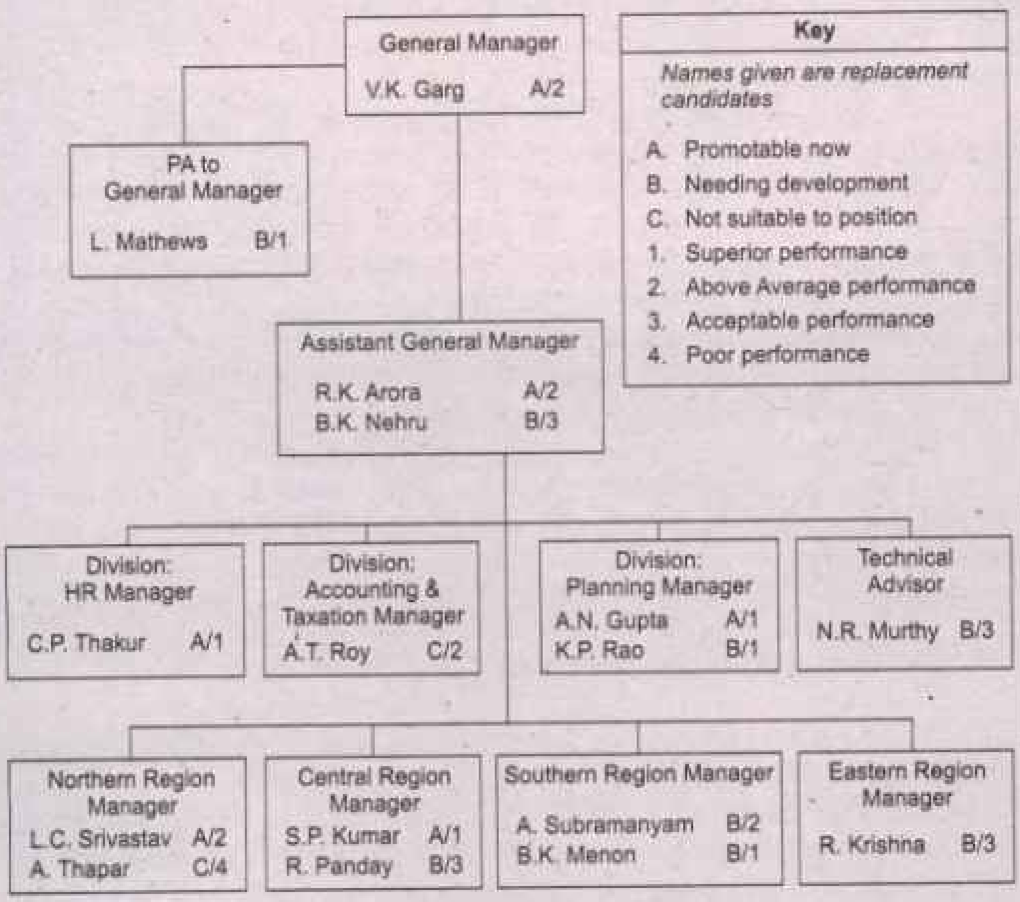


Fig. 4.6 An executive Replacement Chart.

D. Matching Demand and Supply

It may sound simple, that once the supply and demand of human resources have determined accurately, they need to be matched up. It is important to ensure that the right person for the project is identified based on the required skill, role, training, availability and area of interest. This ensures a win-win situation for both employees and employers and ultimately adds to the profitability of the company. 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. The exercise could immediately alert HR professionals to be ready to carry out a surgical operation cutting extra fat (where surplus hands exist) or go in search of talent (if a shortage is visualised). It would also help the HR manager to get ready to formulate other types of manpower plans as well, depending on the specific requirements at a particular point of time shows how demand and supply forecasts can be related over a period of three years.

NOTES

Determining Human Resource Requirements

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

E. Formulating HR Plans

Organisations operate in a changing environment. Consequently, Human resource requirements also change continually. Changes in product mix, union agreements, and 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.).

The action plans formulated by HR managers, it must be remembered here, should always be consistent with the firm's business strategy, talent philosophy and HR strategy. For example if a firm has a no lay off policy, there is no use formulating plans to downsize workforce in case the firm is facing recessionary conditions. Action plans in such a scenario must focus attention on how to deploy the staff through other means such as compressed work weeks, reduction in pay or working hours, etc. The action plans, to be effective, must be subjected to review so as to avoid conditions where the firm is either saddled with excess hands or is made to suffer due to talent shortage.

4.7 SUMMARY

- Human resource planning is a process of getting the right number of qualified people into the right job at the right time.
- HRP is forward looking. It is prepared keeping business strategy and talent philosophy of an organisation into account. HRP seeks to forecast personnel needs accurately. The whole exercise is meant to ensure that the organisation does not suffer due to talent shortage or is saddled with excess staff at any point of time.

NOTES

- HRP systematically attempts to forecast personnel demand, assess supply and reconcile the two in order to ensure a steady flow of qualified hands into an organisation.
- Several models – judgemental, mathematical, computer, qualitative models – are pressed into service in order to estimate demand for labour.
- While forecasting the supply of labour, every organisation necessarily conducts an internal as well as external supply analysis, using techniques such as staffing tables, Markov analysis, skill inventories, replacement charts etc.

Review Questions

1. Define HRP. Describe its characteristics and objectives. Explain the reasons for the growing interest in HRP in recent years.
2. Outline the steps involved in the Human Resource Planning process.
3. Why is HR Planning more common among large organisations than among small ones? What are the advantages of HR planning for large organisations?
4. Discuss the problems in HRP. How can you plan for human resources in an effective manner?
5. Define HRP. Describe its characteristics and objectives. Explain the reasons for the growing interest in HRP in recent years.
6. Write short notes on: (*a*) Markov Analysis (*b*) Staffing Tables (*c*) Skill Inventory (*d*) Replacement charts
7. What is more important for workforce planning – labour supply or labour demand?
8. Distinguish between the quantitative and qualitative approaches to forecasting the need for human resources.
9. What can an organisation do when a shortage of employees is anticipated?

CASE STUDY Engineering Graduates for Gas Mechanic Jobs?

Raghav was assigned as a recruiter for South West Gas Company (SWGC), a major supplier of gas and electricity for Gurgaon, Haryana, and the surrounding areas. The company has been expanding quite rapidly during the past decade – thanks to the liberal policies of the government and the increasing demand from consumers. Being a listed company, the company's progress is being looked into closely by investment analysts and the predictions, if they were to be believed, present a rosy picture for the company in the coming years as well. The company has been looking at mergers and acquisitions area quite seriously, enthused by the response from consumers for gas. It has purchased a utilities system serving the neighbouring state of Punjab in 2009. The expansion move concerned Raghav for a variety of reasons. The workforce of the company increased quite dramatically the previous year and SWGC is finding it difficult to get technically qualified people from the local market.

NOTES

Raghav is particularly concerned about gas installation mechanics. These mechanics are supposed to visit the premises of customers, study the location closely, lay the pipeline from the main supply point, dig up entry points of gas supply into the customers' residences and fix the metallic pipes as per the drawings made by engineers and carry out vigorous checking to ensure that gas supply through the metallic as well as rubber pipes is being ensured in a safe and effective manner. The work demands technical skills and the ability to carry out work as per instructions passed on by engineers of the company. Of course, they need to be concerned about safety of the installations, wherever gas pipeline supply is recommended. The pay and perquisites for the gas mechanics is, more or less, in sync with market conditions. They get around ₹ 8,000 in addition to a bonus that depends on the number of installations made, inspections carried out, etc. All in all, an experienced gas mechanic would be making around 15,000 per month, including transportation allowance and other benefits. Of late, the gas mechanics have been making a hue and cry demanding a higher base pay – which is pending before management.

Raghav was thinking about how to attract more job candidates for the position of gas mechanics in view of the growing demand for such people from rival companies. Recent trends in the job market suggest a chronic shortage of qualified hands in this field. Raghav was also upset when the Human Resource Manager, Sangeetha, called him up and said: Raghav, I am unhappy with the job specification requiring just a high school education for gas mechanics. We need technically qualified people from professionally run technical institutes possessing at least a diploma and ideally, we need engineers from good engineering colleges for this kind of technically demanding job. I have decided to change the education requirement for gas mechanics from a high school diploma to an engineering degree henceforward.'

Raghav protested strongly, 'Madam, the company is growing quite rapidly. As someone associated with the company's recruiting efforts during the last couple of years, I visualise a lot of problems if we go ahead with your plan. Getting the required numbers from good engineering colleges for an entry level salary of around ₹ 15,000 is going to be tough. Moreover, there is the danger of engineering graduates using SWGC as a springboard and jump out at the first available opportunity from any rival outfit.'

Sangeetha felt otherwise. She abruptly cut short the conversation by saying, 'No. I don't agree. We need qualified hands to fill the vacancies and we need capable people from good engineering colleges. I have consulted management about this and they have given me the green signal.' *(Source: Adapted from R.W. Mondy, et. al., Human Resource Management, 2009)*

Questions

1. Should there be a minimum education requirement for the gas mechanics, now, especially, when the company is expanding rapidly and is finding it difficult to get the required numbers?
2. What is your opinion of Sangeetha's effort to upgrade the qualifications of gas mechanics in the organisation?
3. Are there any other compelling issues that need to be looked into closely before taking such a radical step – as far has human resource planning is concerned?

NOTES

5. Job Analysis and Job Design

STRUCTURE

5.1 INTRODUCTION

Job analysis – the process of getting detailed information about jobs – is an important human resource activity for a variety of reasons. Jobs are 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 because they are the means of achieving organisational objectives. Traditionally, jobs are defined in a rigid way – along prescribed lines. The job incumbents are expected to carry out work by strictly adhering to a set of rules and regulations.

5.1.1 What is Job Analysis?

A job may be defined as a collection of tasks, duties and responsibilities. A task is an identifiable work activity carried out for a specific purpose, for example, typing a letter. A duty is a large 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. Job analysis is a systematic and detailed examination of jobs. It is a systematic process of gathering, documenting and analyzing information about the content, context and requirements of a job. Its focus is always on what the job holder does and the knowledge, skills, and abilities needed to do it. It spells out two things clearly:

- ***Job requirements:*** What the job holder is supposed to do, where the job is located, to whom the job holder reports and what kind of wages are paid for the job etc. (Job description – or a list of duties and responsibilities relating to a job).

- ***Worker requirements:*** What knowledge, skills, abilities and other attributes (KSAOs) required of the person performing the job. The job holder should possess job-relevant skills to carry out the job properly. He should have the ability to understand how the tools, equipment, materials, resources and machines needed to be deployed in order to produce good results. The job incumbent's qualifications, of course, are generally determined only after a careful examination of the requirements of job (Job specification – or a minimum acceptable human qualities required to perform a job).

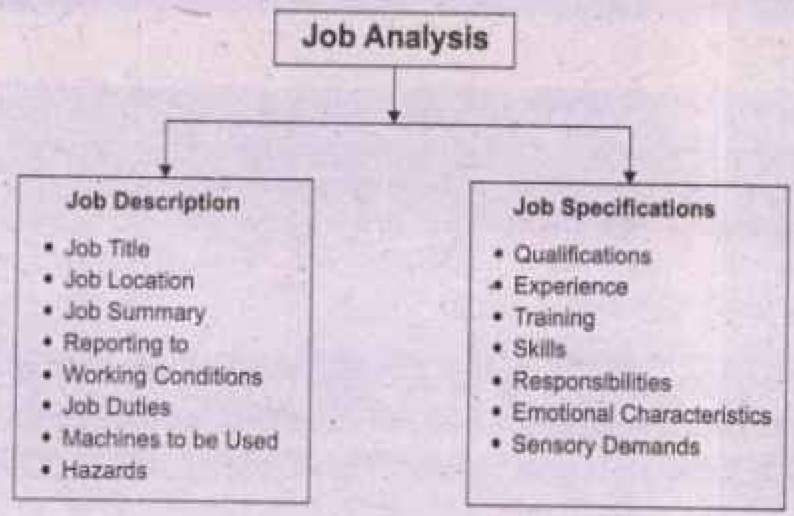


Fig. 5.1

Job description and job specification are two sides of the same coin, that is, job analysis. They help both the employer and the employee to understand the job requirements and find suitable people to perform a job satisfactorily.

5.2 BENEFITS OF JOB ANALYSIS

The important benefits of job analysis may be listed thus:

- ***Human resource planning:*** Job analysis helps in forecasting human resource requirements in terms of knowledge and skills. It helps in determining quality of human resources needed in an organisation.
- ***Recruitment:*** Job analysis is used to find out how and when to hire people for future job openings. An understanding of the skills needed and the positions that are vacant in future helps managers to plan and hire people in a systematic way.
- ***Selection:*** It is not possible to select the right person without a proper understanding of what is to be done on a job. 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 store items, run a cash register or keep the account books.

NOTES

- ***Placement and orientation:*** After selecting people, we have to place them on jobs best suited to their interests, activities and aptitude. If we are not sure about what needs to be done on a job, it is not possible to identify the right person suited for the job. Similarly, effective job orientation cannot be achieved without a proper understanding of the needs of each job. To teach a new employee how to handle a job, we have to clearly define the job.
- ***Training:*** If there is any confusion about what the job is and what is supposed to be done, proper training efforts cannot be initiated. Whether or not a current or potential job holder requires additional training can be determined only after the specific needs of the jobs have been identified through a job analysis.
- ***Counselling:*** Managers can properly counsel employees about their careers when they understand the different jobs in the organisation. Likewise, employees can better appreciate their career options when they understand the specific needs of various other jobs. Job analysis can point out areas that an employee might need to develop to further a career.

CASE STUDY HR Practices: Job Analysis at Motorola

When Motorola decided to shift its focus from simply filling customer orders to world-class quality, managers analyzed the nature of factory jobs under the new strategy. They found that factory jobs demanded employees who could read at the ninth grade level and who possessed elementary statistical knowledge. This analysis helped Motorola incorporate this information into its HR planning process. Sadly, many of Motorola's current employees were under-qualified. Managers had to decide whether to train the existing employees and prepare them fully to meet their job demands or whether to let them go and replace them with more capable employees who could handle the new quality control systems and procedures. Finally, of course, Motorola decided to train existing employees so that they can handle their jobs well. (*W.Wiggerhorn, "Motorola U: When Training Becomes an Education", Harvard Business Review, July August 1990, pp. 71-83*)

- ***Employee safety:*** A thorough job analysis reveals unsafe conditions associated with a job. By studying how the various operations are taken up in a job, managers can find unsafe practices. This helps in rectifying things easily.
- ***Performance appraisal:*** By comparing what an employee is supposed to be doing (based on job analysis) to what the individual has actually done, the worth of that person can be assessed. Ultimately, every organisation has to pay a fair remuneration to people based on their performance. To achieve this, it is necessary to compare what individuals should do (as per performance standards) with what they have actually done (as per job analysis).

NOTES

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/PM______ to AM/PM____

1. What is the general purpose of your job?
2. What was your last job? If it was in another organisation, please name it.
3. To what job would you normally expect to be promoted?
4. If you regularly supervise others, list them by name and job title.
5. If you supervise others, please check those activities that are part of your supervisory duties:
   - Hiring
   - Orienting
   - Training
   - Scheduling
   - Developing
   - Coaching
   - Counselling
   - Budgeting
   - Directing
   - Measuring Performances
   - Promoting
   - Compensating
   - Disciplining
   - Terminating
   - Other__________
6. How would you describe the successful completion and results of your work?
7. Job Duties – Please briefly describe WHAT you do and, if possible, How you do it. Indicate those duties you consider to be most important and/or most difficult:
   (a) Daily Duties
   (b) Periodic Duties (Please indicate whether weekly, monthly, quarterly, etc.)
   (c) Duties Performed at Irregular Intervals
8. Education – Please check the blank that indicates the educational requirements for the job, not your own educational background.
   - No formal education required
   - Less than high school diploma
   - High school diploma or equivalent degree and/or professional license
   - College certificate or equivalent
   - College degree
   - Education beyond graduate

List the advanced degrees or specified professional license or certificate required.

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

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

- ***Job design and redesign:*** Once the jobs are understood properly, it is easy to locate weak spots and undertake remedial steps. We can eliminate unnecessary movements, simplify certain steps and improve the existing ones through continuous monitoring. In short, we can redesign jobs to match the mental make-up of employees.
- ***Job evaluation:*** Job analysis helps in finding the relative worth of a job, based on criteria such as degree of difficulty, type of work done, skills and knowledge needed, etc. This, in turn, assists in designing proper wage policies, with internal pay equity between jobs.

5.3 PROCESS OF JOB ANALYSIS

The major steps involved in job analysis are as follows:

- ***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.
- ***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.
- ***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.
- ***Preparation of job description:*** This step involves describing the contents of the job in terms of functions, duties, responsibilities, operations, and so on. The job holder is required to discharge the duties and responsibilities and perform the operations listed in job description.
- ***Preparation of job specification:*** This step involves conversion of the job description statements into a job specification. Job specifications 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 towards work. It was only in late 1970s that 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.

5.4 METHODS OF COLLECTING JOB ANALYSIS DATA

The principal methods to collect job analysis data may be listed thus:

- ***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).

NOTES

- ***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. This method allows for a deep understanding of job duties. It is appropriate for manual, short period job activities. On the negative side, this method fails to take note of the mental aspects of the job.
- ***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.
- ***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. It is a very time consuming and costly method. The value of data is linked to the interviewing skills of the analyst. If the analyst puts ambiguous questions to workers, the whole exercise proves to be wasteful. Of course, not all interviewees would be willing to share job-related information openly and honestly. Most of these problems could be avoided if the interviewer is properly trained to get the requisite information from workers. It is advisable to use a standard format so as to focus the interview to the purpose of the analyst.
- ***Panel of experts:*** This method utilizes 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.
- ***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 analyzing 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.
- ***Questionnaire method:*** The questionnaire is a widely used method of analyzing jobs and work. Here the job holders are given a properly designed questionnaire aimed at

NOTES

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 finalized, 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 finding 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.

- ***Internet based job analysis:*** Collecting information from job holders through face to face interviews and observations can be a tedious and time consuming job. To avoid this, HR department can carry out the exercise through the Web. Here the HR department distributes a standardised job analysis questionnaire to geographically disbursed employees via their company intranets with instructions to complete the forms and return them by a specified date. Clear and detailed instructions as to how to fill up the questionnaire need to be provided so that job holders are able to offer relevant job related details easily.
- ***Task inventory analysis method:*** In this method a list of tasks and their descriptions for different jobs are developed and then rated based on how important they are. The rating usually takes note of the importance of the task, frequency of occurrence and time spent on the task in order to complete the task successfully. Each task is assessed by the employee, the supervisor and the job analyst. The questionnaire method is used to collect requisite information. The goal of task inventory analysis is to produce a comprehensive list of task statements that are applicable to all jobs. This method, of course, demands the participation of a large number of employees in developing a task inventory in the organisation.

5.5 JOB DESCRIPTION AND JOB SPECIFICATIONS

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.

NOTES

A job description usually covers the following information:

- *Job title:* Conveys the job title, code number, and the department where it is done. A good title will closely approximate the nature of the work content and will distinguish the job from others.
- *Job summary:* A brief write-up about what the job is all about.
- *Job duties and responsibilities:* Job duties and responsibilities explain what is done on the job, how it is done, and why it is done.
- *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.

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	Conduct job analysis, Prepare job descriptions for current and projected positions.
	Evaluate job descriptions and act as Chairman of Job Evaluation Committee.
	Ensure 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

5.5.1 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 always possible to reduce the essential components of a job to a comprehensive document.

- Offering clear job descriptions throwing light on everything in a crystal clear manner is not easy.
- Job descriptions are sometimes not updated as job duties change.
- They can limit the scope of activities of the job holder, reducing organisational flexibility.

Clear job descriptions help understand job duties and responsibilities clearly. 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.).
- Other details such as job title, key responsibilities, major skill needs, qualifications, company overview, the type and tenure of employment, recruiter's contact information, salary range and benefits, location also need to be mentioned clearly.

5.5.2 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.

5.6 JOB SPECIFICATION

Job specification states the minimum acceptable qualifications that the incumbent must possess to perform the job successfully. It summarizes the human characteristics in terms of knowledge, skills and abilities (KSAs) needed for satisfactory job completion.

NOTES

While documenting KSAs, it is important to list only those that are related to successful job performance. The job's human requirements in terms of job-related knowledge, skills, education, training, work experience and other personal attributes needed for delivering performance should be documented clearly.

- ***Emphasis on minimum qualifications:*** Job specifications should always specify the minimum, not the ideal qualifications for a particular job. The minimum qualifications are the basic standards a job applicant must have achieved to be considered for the job. In the rush to hire the cream of talent, however, organisations should not jack up the skill/educational needs of a job. Several problems may result if specifications are inflated. First, such a step would go against the interests of women, minorities and disadvantaged sections of society. The organisation, in such a case, runs the risk of discrimination charges. Second, compensation costs may go up because ideal candidates will have to be compensated more than candidates with minimum skills. Third, it may be difficult to fill vacancies because candidates with an ideal set of qualifications are difficult to find.
- ***Design the job specification carefully:*** Determining the appropriate qualifications for a job, in actual practice, is a difficult job. The job analyst needs to critically examine the requirements of the job and the skill sets needed to successfully complete the job under normal conditions. The basic procedure here is to ask "What does it take in terms of education, intelligence, training and the like to do the job well?" It is, in all probability, going to be a kind of educated guesswork from people like supervisors or human resource managers. One needs to combine common sense with judgement while formulating an opinion regarding job specification. 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 in an appropriate manner.
- ***Benefits of a clear job specification:*** 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 as follows.

5.7 JOB DESIGN

Job design is the division of an organisation's work among its employees. It involves making decisions as to who, what, where, when, why and how the job will be performed. To get the best out of people, managers need to design jobs carefully taking employee expectations and changing organisational needs into account. Properly designed jobs will go a long way in getting things done smoothly. Job design, simply stated, is the application of motivational principles to the structure of work for improving productivity and satisfaction. There are two different approaches to job design: that of fitting people to jobs (the traditional approach) and another fitting jobs to people (the modern approach).

- ***Traditional approach:*** Traditionally jobs were designed and then appropriate people were selected to fit into the jobs. **Fitting people to jobs** is based on the assumption that people possess the will and skill to adapt to work challenges over a period of time. Even so jobs must still be tailored so that nearly anyone can do them. For managers, the biggest challenge here is to make the worker most compatible with the work demands and challenges.
- ***Modern approach:*** The other approach **fitting jobs to people** is based on the assumption that people are underutilised at work and they demand more variety, challenge and responsibility. For managers, the biggest challenge here is to make the work most compatible with the worker so as to produce both high performance and high job satisfaction. Let us examine these approaches in a more detailed manner.

5.8 SUMMARY

- 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, stills and abilities (KSAs) required performing 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.
- Job design is the division of an organisation's work among its employees. It involves making decisions as to who, what, where, when, why and how the job will be performed. To get the best out of people, managers need to design jobs carefully taking employee expectations and changing organisational needs into account.

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.

NOTES

4. What is the difference between job analysis and job design? Why is it important for a manager to understand both concepts?
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?

6. Recruitment

NOTES

STRUCTURE

6.1 INTRODUCTION

Recruitment is a linking activity that brings together those with jobs to fill and those seeking jobs. It is the process by which organisations identify and attract individuals to fill job vacancies. The basic purpose of recruiting is to develop a group of potentially qualified people. To this end, the organisation must communicate the position in such a way that job seekers respond. To be cost effective, the recruitment process should attract qualified applicants and provide enough information for unqualified persons to stay out of the reckoning. There are two popular theories of recruitment, which require close attention at this stage:

- ***Prospecting theory:*** Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. The firm informs the job market about possible vacancies and encourages qualified applicants to apply (popularly known as the prospecting theory of recruitment).
- ***Mating theory:*** Recruitment is actually a two-way traffic. It is a linking function, joining together those with jobs to fill and those seeking jobs. According to this view, the firm's announcement of a possible opening will not get a good response when people with requisite qualifications do not show any interest or have a genuine requirement for switching a job. The best results in recruitment would come only when there is a 'fit' between organisational recruitment efforts and a candidate's job search efforts. Whichever way you look at it, recruitment means finding and/or attracting a fairly large number of well-qualified applicants for the employer's open positions.

Features: The key features of recruitment include the following:

- ***Locating and attracting talent:*** Recruiting is the process of locating and attracting qualified people to fill job vacancies.
- ***Linking process:*** It links job seekers with employers wanting to fill vacancies in their organisations.
- ***Positive process of building a talent pool:*** Recruiting aims at building a pool of well qualified applicants. It seeks a fairly large pool of applicants so that the recruiter has a choice.
- ***Vital function:*** Every organisation, small or big, undertakes recruitment, a vital function without which no organisation can get qualified people to accomplish its objectives. In a knowledge-based technology-driven economy, every recruiter is compelled to go that extra mile in order to get people possessing requisite qualifications.

6.2 THE RECRUITMENT PROCESS

The recruitment process is meant to ensure adequate supply of reasonably qualified applicants for a vacant position. The emphasis, it must be remembered here, is not on quantity. If the process generates a sea of unqualified applicants, the organisation will waste lot of time and money in the screening activity. And you may miss the bus even due to non availability of talent matching requirement. The recruitment process is meant to identify possible sources of supply and attract reasonably good number of responses from people who possess the skills that the organisation requires and who are willing to accept the job offer when selected. In order to achieve this, the following steps must be put in place in a sequential form:

1. ***Identify the required numbers and the sources of supply:*** After identifying the number of vacancies to be filled up, the HR department identifies the number and type of employees needed and the possible sources of supply (for example, an educational institution or a specific region like Bangalore, where software professionals are easily available, or from the open market or look for qualified people on a global scale).
2. ***Publicize job details:*** The company needs to give detailed information about the job opportunity, growth prospects, compensation details and other conditions of service. If the attempt is to hire people from a rival company, the whole exercise can be carried out through professional recruiting agencies that volunteer to get the right person for the job quickly.
3. ***Encouraging prospective job seekers to apply in large numbers:*** In order to save time and resources in screening and short listing the candidates, the recruiter company must encourage only qualified people to apply for the job vacancies. Recruiting effort, to be effective, must always be directed towards qualified applicants (like only those who have completed CA in the first attempt need apply for a vacancy) possessing relevant qualifications (say, having a degree in law is desirable) experience (say with exposure to IT industry) and having a right mental attitude (say, ready to move to any location without any preconditions).

4. ***Evaluating recruiting effort:*** It is better to evaluate the recruiting effort after filling up vacancies with a view to finding out whether the company is able to meet the recruiting criteria. The evaluation process would certainly help companies to learn from past mistakes and suitably modify their methods (like not visiting a campus that did not offer good quality students, not limiting the search to Bangalore while looking for qualified software professionals for a crucial position, etc).

6.3 SOURCES OF RECRUITMENT

The sources of recruitment may be broadly divided into two categories: internal sources and external sources. Organisations like General Electric, United Parcel Service, give lot of importance to developing and promoting managers within the firm. Grooming talent from within is also a much-publicized path chosen by Larsen & Toubro, ITC, HLL etc., in India. Both have their own merits and demerits. Let's examine these.

1. ***Internal sources:*** Persons who are already working in an organisation constitute the 'internal sources'. Retrenched employees, retired employees and dependents of deceased employees may also constitute the internal sources. Whenever any vacancy arises, someone from within the organisation is upgraded, transferred, promoted or even demoted.

2. ***External sources:*** External sources are (*a*) employees working in other organisations; (*b*) job aspirants registered with employment exchanges; (*c*) students from reputed educational institutions; (*d*) candidates referred by unions, friends, relatives and existing employees; (*e*) candidates forwarded by search firms and contractors; (*f*) candidates responding to the advertisements, issued by the organisation; and (*g*) unsolicited applications/walk-ins. The merits and demerits of recruiting candidates from outside an organisation may be listed as follows.

Merits: External sources offer a wide choice and enable the injection of fresh blood into the organisation. Internal candidates may have to fight with external candidates while trying to slip into positions of their choice. They are, thus, forced to work harder and smarter in order to realise their career-related goals. Talented people gaining entry into the organisation based on merit, skills, knowledge and experience is always a sign of good corporate governance. Organisations benefit immensely when capable people are available to handle challenging assignments readily.

Demerits: External sources are quite expensive and the cost might prove to be prohibitive at times. It takes more time and effort to find to the right candidate and unless the organisation is prepared to go that extra mile, candidates possessing the requisite skills and knowledge are not readily found. It is particularly demotivating to people who have remained within the organisation for a long time and are not being considered favorably for possible vacancies that have some prestige value. Finally, there is no guarantee that candidates hired from outside would fit in with the culture and get along with rest of the people in an amicable fashion. It would be risky to allow misfits to continue, and for any reason if they were shown the door, it would send wrong signals in the market. So, every recruiter has to walk the fine line and strike a harmonious balance between internal sources and external sources while trying to fill up possible vacancies arising from time to time.

NOTES

6.4 METHODS OF RECRUITMENT

Recruitment sources are where qualified candidates are located such as Colleges, Universities or competitors. Recruitment methods are the specific means used to attract potential employees to the firm. As indicated above, a firm can recruit people internally or externally. The process of seeking job applicants with the company is known as internal recruiting. The process of seeking job applicants from outside the organisation using activities such as advertisements, job fairs and the internet is known as external recruiting.

Methods of Recruitment

Internal Methods	External Methods
• Promotions and transfers	• Campus recruitment
• Job posting and job bidding	• Advertising
• Employee referrals	• Employment search firms
	• Employment exchanges
	• Gate hiring, Contractors and Temp Agencies
	• Unsolicited applicants
	• Internet recruiting
	• Job fairs

Internal Methods

1. ***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.
2. ***Job posting and job bidding:*** Job posting is another way of hiring people from within. In this method, the organisation publicizes job openings on bulletin boards, electronic

NOTES

media and similar outlets. Most software firms typically rely on intranet or the internet for informing employees that job openings exist. Job bidding is a procedure that allows employees who believe that they possess the required qualifications to apply for a posted job. Hindustan Lever introduced its version of open job postings in early 2002 and quite a sizeable number of 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. Likewise, when Kotak Securities was hit hard by the bear market during 2008, the excess staff were shifted to Kotak Mahindra Bank which had openings in branch banking and credit card business. 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. *(Business Today and Business World, Best Employer survey and Best Places to work survey 2008, 2009, 2013)*

This method offers a chance to eligible candidates working within a company to grow internally. Such opportunities create the occasional excitement required to cheer up people. It encourages managers to discuss career openings with employees and makes people realise the need for enhancing career-focused skills and knowledge. The procedure reflects an openness that most employees would welcome. It motivates employees by showing that hard work and performance can result in promotion. Internal job postings, finally, are relatively fast and very inexpensive to use. Care should be taken, however, to fill vacant positions with qualified people. If not, the method will get crushed by the weight of truckloads of complaints from people who are qualified but left out because of unfair treatment. Unsuccessful applicants must need to be informed about why they could not make it. If the trust and confidence between eligible candidates and the management breaks down, employees might revolt violently and morale-related problems may vitiate campus life in a major way.

3. ***Employee referrals:*** Employee referral (also known as word of mouth advertising) 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 ₹ 50,000 to its employees for every vacancy filled up by the bank on the basis of their referral. Adobe India runs a referral scheme where all employees who have successfully referred a candidate are eligible for a lucky draw where they can win a luxury car. 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. Companies like Intel, IBM, Cisco,

NOTES

Flextronics encourage employees to refer their friends and acquaintances regularly and win referral bonus, on the spot cash awards, get entitled to a lucky draw(in addition to the above). Modern companies also use what is popularly known as Employee Enlistment. It is a unique form of employee referral where every employee becomes a company recruiter. This is not merely asking existing employees to refer their friends to the company. The firm supplies employees with business cards that do not reveal names or positions. They simply contain a message "We are looking for – For additional information log on to our Web site." Employees are encouraged to distribute these cards wherever they go, such as parties, picnics, family gatherings, sports events, community gatherings etc. The underlying philosophy is to let everyone know that the company wants qualified people to apply immediately (see Mondy).

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.

External Methods

4. ***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 identifying 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. ICICI Bank has gone a step ahead in striking rapport with leading academic institutions by explaining its requirements and requesting the academic leaders to create a curriculum that is relevant to market requirements. WIPRO, Infosys, Tata Motors, Intel, Convergys, etc. have an excellent relationship with leading technological institutes and universities to recruit freshers possessing employable skills and knowledge through an online testing programme. Companies like HLL, Pantaloon Retail, Reliance Industries, RPG Enterprises have joined hands with leading management institutes in creating specialised courses required by the

NOTES

retailing and logistics businesses. Leading audit, taxation, consultancy and BPO firms have started looking for talent in reputed undergraduate colleges all over India, especially, in cities like Delhi, Mumbai, Bangalore, Chennai and Pune. To hire the best, companies are using a variety of tools – such as group discussions, case presentations, aptitude tests, interviews, personality profiling – in recent times.

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.

6.5 RECRUITMENT SCENARIO IN INDIA

Recruitment is not simply a vacancy filling job. Recruiters are there to see that the new hires fit in with the culture of a company, possess the right mental make-up and are able to get along with colleagues smoothly. New hires must be willing to take the initiative, go that extra mile and deliver excellent results. Companies like to hire clear outperformers who are willing to handle diver and complex assignments with comfortable ease. Indian companies want new hires to understand the internal work culture and deliver results in sync with requirement. The expectations of recruiters, often, 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 us summarize these in a capsule form thus:

- ***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". Recruitees 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. Recruitees 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.

6.6 SUMMARY

NOTES

- 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.

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. List the most important merits and demerits of various sources of recruitment.
4. Discuss some ways by which firms can make campus recruiting more effective.
5. Discuss how such websites as monster.com, naukri.com or timesjobs.com have changed how companies recruit potential job applicants and how individual applicants look for jobs.

7. Selection

NOTES

STRUCTURE

7.1 INTRODUCTION

Human Resource Planning (HRP) identifies employment needs, job analysis determines the qualifications required and recruiting provides a pool of applicants for selection. 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. The selection process involves assessing the applicants to decide who will be hired. While choosing which applicants to hire, HR professionals need to take note of the following things:

1. ***Strike a fine balance between job needs and applicants' profile:*** Selection implies choosing the right candidate who is best suited for a job. To this end, the needs of the job are compared with the profiles of applicants. The most suitable person is then picked up after a rigorous process of testing and interview.
2. ***Do not pick bad apples:*** Selection should open the doors for top-notch, innovative staff who are able to deliver results. It is something that needs to be carried out carefully. Poor hiring done in a haphazard and hurried manner may prove to be a costly affair.
3. ***Legal intervention may spoil the show:*** Recruits who are turned away on account of poor performance may seek legal action against the firm. Poor selection decisions, therefore, need to be checked at the gate. HR managers must burn their candle of energies in collecting all information about job applicants, evaluate the information closely, and carry out all other relevant checks needed to reach out to the most suitable candidate.

NOTES

4. ***Keep the expectations of employees in mind:*** Talent does not come cheap. If you pay peanuts, you only get monkeys and donkeys of the world. At the same time, money alone is not enough to entice talented people into a company. Innovative strategies must be put in place to get the right candidates possessing relevant qualifications, knowledge, experience and competencies.
5. ***Selection could prove to be a source of competitive advantage:*** Selecting the right candidates for a vacant position will have a number of positive consequences. Not only will they bring in talent, skills and competencies, they will help in boosting the image of the company in the market. They will attract people from their professional networks into the company. The right candidate could turn out to be a role model for others. In short, having a top-notch, flexible, innovative staff may help a firm get past competition and deliver outstanding value to customers consistently.
6. ***To be on the safe side, follow the successive hurdles technique:*** In the successive hurdles technique a number of filters are created to weed out the misfits. These hurdles or barriers are deliberately created to see that only qualified candidates go to the next stage of screening the right candidate is allowed to face the next screen.
7. ***Selection is not meant to rub people on the wrong side:*** Choosing the right candidate is not a matter of chance. It is a product of choice. To separate the mediocre from the bright, the candidates need to be put through several obstacles in a fair but rigorous manner. The standards of excellence must be defined well in advance, and only those meeting the criteria should be allowed to go to the next stage. The filtering process must be done with utmost care and caution to see that the invitees do not feel uncomfortable or develop a feeling of being taken for a ride. The series of hurdles chosen to eliminate the unwanted hands, should not rub people on the wrong side. Ultimately, there is nothing negative about the selection process, since the outcome is always positive, both for the recruiter and the recruitee.

7.2 STEPS IN THE SELECTION PROCESS

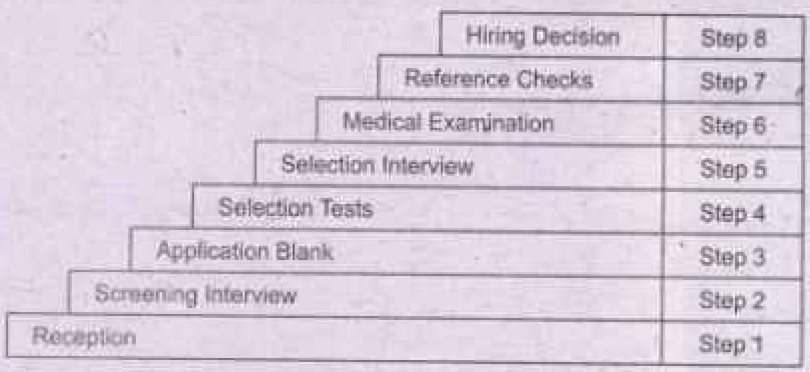


Fig. 7.1 Important steps in the selection process

7.3 RECEPTION

NOTES

A company is known by the people it employs. In order to attract top talent, a company has to create a favourable impression on the applicant right from the stage of reception. Whoever meets the applicant initially should be tactful, friendly and courteous. 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.

7.4 SCREENING/COURTESY 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 and location choice. This *courtesy interview*, as it is often called, helps the department screen out obvious misfits. If the department finds the candidate suitable, he or she is given a prescribed application form to fill and submit.

7.5 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 personal data (address, sex, identification marks); marital data (levels of formal education, marks, distinctions); employment record (past experience, promotions, nature status (single or married, children, dependents); physical data (height, weight, health condition); educational of duties, reasons for leaving previous jobs, salary drawn, etc.); extra-curricular activities (sports/games, NSS, NCC, prizes won, leisure-time activities) and references (names of two or more people who certify the suitability of an applicant to the advertised position). 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. Application blank is a highly useful selection tool, in that it serves three important purposes: (*a*) It introduces the candidate to the company in a formal way. (*b*) 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. (*c*) It can serve as a basis for initiating a dialogue at the interview.

NOTES

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.

Sample Application Blank

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: ______________________________

____

NOTES

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 ground 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

7.6 SELECTION TESTING

A test is a sample of an aspect of an individual's behaviour. It is a systematic procedure for sampling human behaviour. Most large-scale organisations routinely use employment tests while trying to match candidates' profiles with the requirements of vacant positions. Tests measure individual differences in a scientific manner and enable the recruiter to pick up qualified applicants in an unbiased manner. Some of the commonly used employment tests are:

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 select 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 measure not a single trait, but rather several abilities such as memory, vocabulary, verbal fluency, numerical ability, and perception. These tests are increasingly used while hiring graduates and post-graduates for 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 candidate'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.

NOTES

3. ***Personality tests:*** Personality is a unique mix of individual characteristics that can affect how people actually contribute in a workplace. Many organisations use personality tests that measure the degree to which the candidates' attributes (such as careful, hard working, tolerant, trusting, outgoing, venturesome, emotionally stable, open to ideas, creative) match specific job criteria. There are three types of personality tests: projective test, interest test, and preferences test.
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, while a shorthand test measures the testee's ability to take dictation and transcribe. 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. ***Graphology tests:*** Graphology involves 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 skepticism have limited its use.
7. ***Polygraph (lie-detector) tests:*** The polygraph 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, 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.

NOTES

8. ***Integrity tests:*** These are designed to measure the 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: 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 home for personal use? Do you mark attendance for your colleagues also?

CASE STUDY HR Practices: How do they do Employee Testing in India?

Institutions like NIIT and Aptech design tests for various companies across verticals and IT companies in particular. NIIT, for instance, does recruitment tests, internal competency tests, regulatory compliance tests, vendor-specific certification tests, etc. for specific industry verticals. The test division of Aptech, Attest, offers contemporary technology-based testing and assessment solution. The content of the tests is generally based on specific job requirements. For instance, for software companies this would translate to specific technical skills. For BPO companies it would mean the required level of competence in language, communication skills (written and oral), computer literacy, listening comprehension, mental and quantitative ability, etc. NIIT follows a multi-level process validation model. After the questions are formulated on the basis of analysis of the client's requirement and the expert advice, the test is then subjected to validity by getting it answered by the best of breed industry professionals who are already working on the positions for which the test is meant. The answers are then verified and checked by the domain expert team. The tests are also assessed through various assessment engines, which help to customise the test.

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

NOTES

- ***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 is easier. 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 challenges. 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 is very keen that the firm should hire might even turn down the job offer under such trying conditions.
- ***Group discussion interview:*** In this type of an interview, groups rather than individuals are interviewed. The interviewees are given certain problems and are asked to reach a specific decision within a particular time limit. The applicants enter into group discussions, knowing that the interview is a test, but do not know which qualities are being measured or tested. A few observers watch the activities of the interviewees – those who take a lead in the discussion, those who try influencing others, those who summarise and clarify issues and those who speak effectively. The assumption underlying this type of interview is that 'the behaviour displayed in the solution of the problem is related to potential success in the job. The object is to see how well individuals perform on a particular task or in a particular situation.'
- ***Panel or Board 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 deep and meaningful responses from candidates. Such an interview could also limit the impact of personal biases of any individual interviewer. On the negative side, as an applicant, a panel interview may make the candidate feel more stressed than usual.

7.7.1 The Interview Process

NOTES

Interviewing is an art. It demands a positive frame of mind on 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.

Preparation: Effective interviews need to be planned, which 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.

Reception: The candidate should be properly received and led into the interview room. He should be greeted with a warm, friendly smile. 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.

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.
- 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 monopolise 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.

NOTES

- Do not use difficult words to confuse the applicant. Provide information as freely and honestly as possible
- Focus on the applicant's education, training, work experience, etc. Find unexplained gaps in the 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.

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. 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.

Evaluation: After the interview is over, summarize 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. It is always better to use a standardised evaluation form for this purpose.

7.7.2 Guidelines for an Effective Interview

Both the interviewer and the interviewee should have respect for established norms and practices for a successful interview. The following guidelines aim at running the show in a competent manner: The following guidelines will help the interviewer to conduct the process in a competent manner.

- ***Understand the requirements of the job:*** Interviewers should possess a thorough knowledge of the job and its multifarious requirements.
- ***Possess requisite skills, training and experience:*** Interviewers should know how to conduct the interview in a dignified manner. Skillful interviewing is an art and like all other arts, requires training and experience.
- ***Look into relevant data carefully:*** The interviewers should focus attention on whether the candidate in question fits in with job requirements or not. To this end, they must put questions that reveal more about the candidate's traits, aptitude, interest, etc.
- ***Examine Important factual information before forming an opinion:*** Before forming an opinion, interviewers should focus attention on (*a*) reliance of education to the job specifications; (*b*) reasons for the gap in educational and employment history of the applicant; (*c*) reasons for choosing special courses in schools and colleges; (*d*) division or grades obtained and academic achievements; reason for failure; (*e*) likes and dislikes for each job; (*f*) information regarding domestic, health, financial and other problems, if any; (*g*) the condition of the job and work the applicant expects.
- ***Avoid wasting time in background checks:*** The time of the interview should not be consumed in collecting routine information, which can be easily gathered from

application blank or verified from the applicant's former employer or from his school, institution, records and documents, certificates, etc.

- ***Look at the forest, not the individual trees:*** The interview should be diligently delimited, for it is often the only feasible way of eliciting the required information about the candidate. It enables the interviewers to view the total individual and to appraise his personal appearance, comments, attitudes, mannerisms, motivations, interests, adjustments, temperament and other personal attributes.
- ***Take an objective view and avoid prejudices of all kinds:*** The interviewer's decision should be fair and impartial. Bias, prejudices, personal likes and dislikes, preferences and general impression of the candidate should not interfere with the decision.
- ***Allow the candidate(s) to speak freely and be a good listener:*** The candidate should be given an opportunity to air his feelings, opinions and thoughts freely. To this end, a time limit can be set well in advance. To elicit the requisite information the interviewer should take the backseat and ask relevant questions.
- ***Do not rush to a conclusion very quickly:*** The interviewer should refrain from passing too quick a judgement before all the relevant facts have been gathered and evaluated.
- ***Give courteous and respectful treatment to job applicants:*** Due respect is to be paid to all job applicants, this is a must. To put the candidate at ease, the interviewer should treat all job applicants in a fair and equitable maner.
- ***Leave a good impression on job applicants:*** The interviewer, finally, should try to give good impression about himself and of the company he represents.

The following guidelines will help the interviewees to handle the process in a competent manner:

- ***Preparation of a resume:*** The interviewee must be armed with a well designed resume containing all relevant information – such as
- (*i*) Demographic data (name, permanent address, date of birth, marital status, and telephone number, if any); (*ii*) career objectives, both for short range (such as staff assistant or labour relations) and long range (*e.g.*, contract negotiator); (*iii*) educational background and academic achievements; (*iv*) leadership positions in clubs, athletic teams, students' union and social organisation, and (*v*) previous work experience.
- ***Preparation for the interview itself:*** The applicant should prepare himself fully before attending the interviews. He should do some background study of the company (such as its history and recent annual report) in order to ask specific questions about product, process, goals or competition. Questions on items that are related to job duties, the reason for joining the organisation, should be thoroughly prepared. These questions demonstrate interest in the organisation.
- ***Make a good impression during the interview:*** To make a good impression and highlight their positive aspects, the interviewee must follow these considerations: (*i*) appropriate clothing; (*ii*) good grooming; (*iii*) a firm handshake; (*iv*) the appearance of controlled energy; (*v*) pertinent humour and readiness to smile; (*vi*) a genuine

NOTES

interest in the employers' operations and alert attention when the interviewer speaks; (*vii*) pride in past performance; (*viii*) an understanding of the employer's needs and a desire to serve them; (*ix*) the display of sound ideas; and (*x*) ability to take control when employers falter or hesitate during the interview.

- ***Keep responses measured:*** The interviewee should not initiate any discussion on his own. The response should always be in a measured tone, precise and to the point. There is no need to be pompous or turn egoistical. Of course, eye contact is important.
- ***Follow up:*** A clear statement of the next action should be obtained before concluding the interview and a follow up letter from the interviewee acknowledging the interview should be sent within a few days.

6. ***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:
   - Whether the applicant is medically suitable for the specific job or not
   - Whether the applicant has health problems or psychological attitudes likely to interfere with work efficiency or future attendance
   - Whether the applicant suffers from bad health which should be corrected before he can work satisfactorily (such as the need for spectacles)
   - Whether the applicant's physical measurements are in accordance with job requirements or not.
7. ***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 the applicant's previous employer, who is well-versed with the applicant's job performance, and sometimes from co-workers. 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.
8. ***Hiring decision:*** The concerned line manager 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.

NOTES

7.8 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.

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. Write notes on:
   (*a*) Personality Tests
   (*b*) Achievement Tests
   (*c*) Polygraph
   (*d*) Graphology

NOTES

8. Placement, Induction, Internal Mobility and Retention

STRUCTURE

8.1 INTRODUCTION

Placement seeks to fit the selected candidate to a right job. The basic purpose of placement is to assign a specific job to each of the selected candidates. Placément helps a new recruit find a job that is in sync with what has been promised by the employer at the time of selection.

8.2 PLACEMENT: NATURE AND BENEFITS

Placement is the process of posting a new recruit to a suitable job. After the initial selection, the new recruit is given a specific job with a rank and responsibilities matching employee skills and qualifications. If new hires do not find a job of their liking, talent would slip away. The organisation pays a heavy price if it does not handle this job carefully. There are important reasons to support this argument:

- ***Match the candidate's skill with the job:*** It is the duty of the HR department to place a candidate in a job that is commensurate with his knowledge, skills and abilities. Otherwise, the new recruit will not remain committed to the job or the organisation.
- ***Deliver what you promise and promise what you deliver:*** There is no use promising something to new hires and assigning some other work that is that does not match

with their competencies and qualifications. If a fresh recruit from IIT is being put on a cashier's job – like it used to happen in the case of many public sector banks in early 1970s and 1980s – there is very little chance of that employee remaining loyal to the job for long.

- ***Person-job misfit would prove to be costly:*** In case of a mismatch, whether a candidate is under-qualified or overqualified, would prove costly for the organisation. The new recruit would suffer from a lack of interest and low morale, which will adversely impact the team. He will find ways and means to abstain from work. Unable to concentrate on a boring job, the new recruit may commit mistakes, which at times, might result in serious accidents. Sooner or later, he will look for greener pastures outside.
- ***Put the new recruits at ease:*** New recruits can be put to ease only if they are put on suitable jobs. The new recruits must be given what is popularly known as induction or orientation training for a week or a fortnight, or even a month (most MNC banks run the orientation programme for about a month, followed by on the job training for about 3/6 months) depending on the requirement.
- ***Benefits could surprise many:*** If the organisation is able to match the abilities, skills and personality traits of new hires with the requirements of a job in a systematic way, several benefits could accrue to both the employer and the employee. It helps the employer utilise the potential of new hires fully, improve productivity and enhance retention. New hires will stay on the new jobs, take up training opportunities willingly, and gradually slip into leadership roles.

8.3 INDUCTION/ORIENTATION

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 restrooms, breakrooms, parking spaces and cafeteria. 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.

8.3.1 Objectives

Induction serves the following purposes:

- ***Removes fears:*** Induction helps a new employee adjust to the new people, workplace and work environment, and overcome any doubts and fears. It assists him in knowing more about:

NOTES

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

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

8.3.2 Steps in the Induction Programme

The HR department may initiate the following steps during the induction programme:

- Welcome to the organisation and show him/her around the workplace and facilities.
- Give a brief profile of the company – this may be in the form of a printed manual for employees, which uld also have details on benefits, holidays, leave, timings, dress codes and other rules and regulations.
- Provide details about various work groups and the extent of unionism within the company.
- Give an overview of future training opportunities and career prospects.
- Clarify doubts, by encouraging the employee to come out with questions.
- Introduce the employee to his team and supervisor.

8.3.3 Content

The topics covered in employee induction programme may be stated thus:

Induction Programme: Topics

1. Organisational issues
   - History of company
   - Names and titles of key executives
   - Employees' title and department
   - Layout of physical facilities
   - Probationary period
   - Products/services offered
   - Overview of production process
   - Company policies and rules
   - Disciplinary procedures
   - Employees' handbook
   - Safety steps

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

8.3.4 Follow Up

Despite the best efforts of supervisors, certain gaps may still remain in the orientation programme. To overcome such communication gaps, it is better to use a supervisory checklist as shown and find out whether all aspects have been covered or not. Follow-up meetings could be held at fixed intervals, say after every 3-6 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 make the process of orientation more meaningful, 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.

8.4 INDUCTION GUIDELINES

The induction programme should also become a platform to think about potential problems and address them before they happen. An orientation program should aim at creating a positive first impression in the minds of the new members and get a 'buy into' the organisation's culture as these new members are more likely to be loyal, cooperative and interested in the organisation's success. An effective welcome and new hire integration process can help ensure a better retention rate and thus be highly cost efficient. The following guidelines could help in putting everything concerning orientation programmes in place:

NOTES

Guidelines for an Induction Programme

- Be open, frank and honest on your value system, vision, mission and integrity definition.
- Be clear and transparent on organisational strengths and improvement areas in terms of culture, leadership and business portfolio.
- Leverage differences – we believe in diversity; there can be growth and a challenge to grow.
- Share information openly, clear all doubts of new hires and provide clear job instructions and find out how the new hires are doing in their respective jobs from time to time. Before arriving at a conclusion, better to give time for the new hire to adjust new environs and the culture of the organisation.
- Focus on people, rest will follow.

8.5 INTERNAL MOBILITY

Modern organisations require people with transferable skills. The aim is to put them on various jobs at different locations when the need arises. Relocation is stressful but from an organisational standpoint it is certainly useful. Workflow does not suffer due to the absence of anyone. People with transferable skills command a premium value and they become eligible for 'hot' jobs in the course of time. In fact, employees must welcome moves aimed at putting them on various jobs of increasing scope and responsibility – since it helps them exploit their potential fully. If they are groomed properly, such employees can grow vertically within an organisation fairly quickly. The lateral or vertical movement/job change (promotion, transfer, demotion or separation) of an employee within an organisation is called internal mobility. It may take place between jobs in various departments or divisions. Some employees may leave the organisation for reasons such as better prospects, retirement and terminations. Such movements are known as external mobility. Employees are the real beneficiaries when they are made to work at different levels of an organisation.

- Their skills, knowledge and experience improve considerably.
- They get the opportunity to work with people having diverse backgrounds.
- They can exploit their potential fully and find out where they stand in comparison to others.
- They can slip into roles of increasing complexity, thus filling 'talent gaps' that might occur within an organisation.
- They can explore greener pastures outside if they feel that they have hit the career plateau – that is, they feel stagnated in a job with no immediate growth prospects. It is easier for them to find a job of their liking, as they are armed with requisite skills and knowledge, after having worked at different levels.

From an organisational standpoint also, job changes certainly help in coping with changing market requirements. If people are made to run that extra mile, by taking up varied responsibilities in day-to-day operations, they get groomed for challenging roles in the course of time. When the opportunity comes along, the organisation finds it easy to transfer/promote people having the requisite skills, knowledge and experience. The overall effectiveness of an organisation also improves considerably. It is able to adapt and adjust to changing market needs fairly quickly and easily. When a firm has talented people willing to go that extra mile, it can certainly push competitors to the wall.

8.6 TRANSFER

A transfer is a change in job assignment. It may involve a promotion or demotion or no change at all in status and responsibility. A transfer has to be viewed as a change in assignment in which an employee moves from one job to another at the same level of hierarchy, requiring similar skills, involving approximately same level of responsibility, same status and same level of pay. A transfer does not imply any ascending (promotion) or descending (demotion) change in status or responsibility. Organisations resort to transfers to serve the following purposes:

(*a*) ***To meet the organisational requirements:*** Organisations may have to transfer employees due to changes in technology, volume of production, production schedule, product line, quality of products, changes in the job pattern caused by change in organisational structure, fluctuations in the market conditions like demands fluctuations, introduction of new lines and/or dropping of existing lines. All these changes demand the shift in job assignments with a view to placing the right person on the right job.

(*b*) ***To satisfy employee needs:*** Employees may need transfers in order to satisfy their desire to work under a friendly superior, in a department/region where opportunities for advancement are bright, in or near their native place or in an area of interest, where the work itself is challenging and interesting.

(*c*) ***To utilise employees better:*** An employee may be transferred because management feels that his skills, experience and job knowledge could be put to better use elsewhere.

(*d*) ***To make the employee more versatile:*** Employees may be rolled over different jobs to expand their capabilities. Job rotation may prepare the employee for more challenging assignments in future.

(*e*) ***To adjust the workforce:*** Workforce may be transferred from a plant where there is less work to a plant where there is more work.

(*f*) ***To provide relief:*** Transfers may be done to give relief to employees who are overburdened or doing hazardous work for long periods.

(*g*) ***To reduce conflicts:*** Where employees find it difficult to get along with colleagues in a particular section, department or location – they could be shifted to another place to reduce conflicts.

(*h*) ***To punish employees:*** Transfers may be effected as disciplinary measures – to shift employees indulging in undesirable activities to remote, far-flung areas.

NOTES

8.6.1 Types of Transfers

Companies may transfer employees from one place to another due to work-related pressures. Where there is demand for specific skill sets, key employees may be asked to shift to a new location temporarily. If the presence of such employees is required on a permanent basis, a company may hire talent from the market place on a permanent basis. Many a time employees may want to shift to a new location or department due to personal reasons such as children's education, inability to get along with colleagues in a department and health problems in a congested city. Transfers, when examined closely, may also be classified thus:

(*a*) Production transfers	: Transfers caused due to changes in production.
(*b*) Replacement transfers	: Transfers caused due to replacement of an employee working on the same job for a long time.
(*c*) Rotation transfers	: Transfers initiated to increase the versatility of employees.
(*d*) Shift transfers	: Transfers of an employee from one shift to another.
(*e*) Remedial transfers	: Transfers initiated to correct the wrong placements.
(*f*) Penal transfers	: Transfers initiated as a punishment for indiscipline on part of an employee.

8.6.2 Benefits and Problems

The benefits and problems associated with transfers.

Benefits	Problems
• Improve employee skills • Reduce monotony, boredom • Remedy faulty placement decisions • Prepare the employee for challenging assignments in future • Stabilise changing work requirements in different departments/locations • Improve employee satisfaction and morale • Improve employer-employee relations	• Inconvenient to employees who otherwise do not want to move • Employees may or may not fit in the new location/department • Shifting of experienced hands may affect productivity • Discriminatory transfers may affect employee morale

Transfers have to be carried out in a systematic way, without discrimination and favouritism. Some of the above cited problems associated with transfers could be avoided, if organisations formulate a definite transfer policy, for use at different points of time.

8.7 TRANSFER POLICY

Organisations should clearly specify their policy regarding transfers. Otherwise, superiors may transfer their subordinates arbitrarily if they do not like them. It causes frustration among employees. Similarly, subordinates may also request for transfers even for petty issues. Most people would ask for transfer to low-risk and easy jobs and places, and organisation may find it difficult to accommodate such requests. Hence, an organisation should formulate a systematic transfer policy with the following features:

1. Specification of circumstances under which an employee will be transferred in the case of any company-initiated transfer.
2. Name of the superior who is authorised and responsible to initiate a transfer.
3. Jobs from and to which transfers will be made, based on the job specification, description and classification.
4. The region or unit of the organisation within which transfers will be administered.
5. Reasons which will be considered for personal transfers, their order of priority, etc.
6. Reasons for mutual transfer of employees.
7. Norms to decide priority when two or more employees request for transfers like priority of reason, seniority.
8. Specification of basis for transfer, like job analysis, merit, length of service.
9. Specification of pay, allowances and benefits that are to be allowed to the employee in the new job.
10. Other facilities to be extended to the transferee like special level during the period of transfer, special allowance for packaging luggage, transportation, etc. Generally, line managers administer the transfers and HR managers assist the line managers in this respect.

8.8 PROMOTION

Promotion refers to upward movement of an employee from a current job to another that is higher in pay, responsibility and/or organisational level. It brings enhanced status, better pay, increased responsibilities and better working conditions to the promotee. There can, of course, be 'dry promotion' where a person is moved to a higher-level job without increase in pay. Promotion is slightly different from upgradation, which means elevating the place of the job in the organisational hierarchy (a better title is given now) or including the job in higher grade (minor enhancement in pay in tune with the limits imposed within a particular grade). A transfer implies horizontal movement of an employee to another job at the same level. There is no increase in pay, authority or status. Hence, it cannot act as a motivational tool. Promotion, on the other hand, has in-built motivational value, as it elevates the status and power of an employee within an organisation. Promotion, based either on meritorious performance or continuous service, has powerful motivational value. It forces an employee to use his knowledge, skills and abilities fully and become eligible for a vertical growth. It inspires employees to compete and get ahead of others. Those who fall behind in the race are also motivated to acquire the required skills to be in the reckoning. Promotion thus, paves the way for employee self-development. It encourages them to remain royal and committed to their jobs and the organisation. The organisation would also benefit immensely because people are ready to assume challenging roles by improving their skills constantly. Interest in training and development programmes would improve. The organisation would be able to utilise the skills and abilities of its personnel more effectively.

NOTES

8.8.1 Bases of Promotion

Organisations adopt different bases of promotion depending upon their nature, size, and management. Generally, they may combine two or more bases of promotion. The well-established bases of promotion are seniority and merit.

1. ***Merit-based promotions:*** Merit-based promotions occur when an employee is promoted because of superior performance in the current job. Merit here denotes an individual's knowledge, skills, abilities and efficiency as measured from his educational qualifications, experience, training and past employment record. The advantages of this system are fairly obvious:
   - It motivates employees to work hard, improve their knowledge, acquire new skills and contribute to organisational efficiency.
   - It helps the employer to focus attention on talented people, recognize and reward their meritorious contributions in an appropriate way.
   - It inspires other employees to improve their standards of performance through active participation in all developmental initiatives undertaken by the employer (training, executive development, etc.).

   However, the system many fail to deliver the results, because:
   - It is not easy to measure merit. Personal prejudices, biases and union pressures may come in the way of promoting the best performer.
   - Frustration and resentment may arise when younger employees get ahead of older employees in an organisation (based on superior performance. They may feel insecure and may even quit the organisation.
   - Also, past performance may not guarantee future success of an employee. Good performance in one job (as a foreman, for example) is no guarantee of good performance in another (as a supervisor).
2. ***Seniority-based promotions:*** Seniority refers to the relative length of service in the same organisation. Promoting an employee who has the longest length of service is often widely welcomed by unions because it is fairly objective. It is easy to measure the length of service and judge the seniority. There is no scope for favouritism, discrimination and subjective judgement. Everyone is sure of getting the same, one day.

   In spite of these merits, this system also suffers from certain limitations. They are:
   - The assumption that the employees learn more with length of service is not valid, as employees may learn up to a certain stage, and learning capabilities may diminish beyond a certain age.
   - It de-motivates the young and more competent employees and results in greater employee turnover.

- It reduces the zeal and interest to develop, as everybody will be promoted without showing any all-round growth or promise.
- Judging the seniority, though it seems to be easy in a theoretical sense, is highly difficult in practice as the problems like job seniority, company seniority, zonal/regional seniority, service in different organisations, experience as apprentice trainee, trainee, researcher, length of service not only by days but by hours and minutes will crop up.

3. ***Seniority-cum-merit policy:*** Seniority-based promotions compel talent to step out of a firm in frustration. Merit-based promotions de-motivate seniors who remain loyal to their jobs. Both systems have their own in-built weaknesses. To overcome this, many organisations try to strike a happy balance between merit and seniority by setting some acceptable standards – after serious discussions with employees and trade unions. Such criteria – once approved – would help put out fires arising out of seniority/merit related promotions. One such criteria could be rewarding those with promotions after serving a fixed tenure of say, 10 years, like in many Japanese organisations (where fast-track promotions are not encouraged). To please talented people, the company may separate the star performers from the mediocre on the basis of results. In most public sector units, promotions are based on seniority. Exactly the opposite route is taken by private sector firms where there is hardly any room for inefficient and unproductive staff members.
4. ***Open and closed promotion policy:*** In an open promotion policy, all employees become eligible for promotion as and when a vacancy arises. Based on a predetermined criteria, the most suitable one is promoted. In a closed promotion policy, all employees do not become eligible for promotion automatically. To avoid problems, some companies do not even let employees know that some vacancies are likely to occur in the days ahead. Based on individual judgement and personal observation, management takes the call on who should get what. To be fair to all, of course, a company may go for an open promotion policy – wherein all become eligible for vertical progression but may secretly decide to choose its own favourites for the coveted higher level positions, putting any criteria that would invariably favour those that management wants.

8.8.2 Promotion Policy

Seniority and merit, thus, suffer from certain limitations. To be fair, therefore, a firm-should institute a promotion policy that gives due weightage to both seniority and merit. To strike a proper balance between the two, a firm could observe the following points:

- Establish a fair and equitable basis for promotion *i.e.*, merit or seniority or both.
- A promotion policy established thus, should provide equal opportunities for promotion in all categories of jobs, departments and regions of an organisation.
- It should ensure an open policy in the sense that every eligible employee is considered for promotion rather than a closed system which considers only a particular class of employees. It must tell the employees the various avenues for achieving vertical growth through tools such as career maps and charts.

NOTES

- The norms for judging merit, length of service and potentiality must be established beforehand. The relative weightage to be given to merit or seniority or both should also be spelt out clearly.
- The mode of acquiring new skills and knowledge should be specified to all employees so that they can work towards for career advancement.
- Appropriate authority should be entrusted with the responsibility of taking a final decision on promotion.
- Detailed records of service and performance should be maintained for all employees to avoid charges of favouritism or nepotism.
- The rules for promotion should be consistent in the sense that they are applied uniformly to all employees, inspective of their background.
- Promotion policy should contain alternatives to promotion when deserving candidates are not promoted due to lack of vacancies at higher level. These alternatives include up-gradation, re-designation, sanctioning of higher pay or increments or allowances assigning new and varied responsibilities to the employee by enriching the job or enlarging the job profile.
- A provision for appeal against (alleged) arbitrary actions of management and its review should be there.
- Promotions initially may be for a trial period so as to minimize the mistakes of promotion.
- Promotion policy, once formulated, should be communicated to all employees, particularly to the trade union leaders. It should be reviewed periodically, based on the experiences and findings of the attitude and morale surveys.

8.9 DEMOTION

Demotion is the downward movement of an employee in the organisational hierarchy with lower status and pay. It is a downgrading process where the employee suffers considerable emotional and financial loss in the form of lower rank, power and status, lower pay and poor working conditions. There are several factors responsible for demotions:

- A promotee is unable to meet the challenges posed by a new job (such as technically superior environment, administratively complex, involving multifarious responsibilities).
- Due to adverse business conditions, organisations may decide to lay off some and downgrade other jobs.
- Demotions may be used as disciplinary tools against errant employees.

Demotion may have a devastating impact on employee morale. It is a painful action, impairing relationships between people permanently. While effecting demotions, therefore, a manager should be extremely careful not to place himself on the wrong side of the fence. A clear policy may save the day for him in most cases (Dale Yoder).

1. A clear list of rules along with punishable offences should be made available to all the employees.
2. Any violation should be investigated thoroughly by a competent authority.
3. In case of violations, it is better to state the reasons for taking such a punitive step clearly and elaborately.
4. Once violations are proved, there should be a consistent and equitable application of the penalty.
5. There should be enough room for review.

8.10 RETENTION

Employees are the priceless assets of a company. They are the heart and soul of an organisation. If key employees decide to quit, that is a clear signal that something is seriously wrong somewhere. Management must arrest the cancerous trend immediately. Finding suitable replacement to key employees is not going to be easy. In fact, when such people leave, the entire organisation feels the tremors. The morale of other team mates gets dented badly. Media will highlight such exits, presenting a gloomy picture of how talent is flying away.

Employee retention is the ability of an organisation to retain its employees. Employee retention is usually reflected through simple statistic (for example, a retention rate of 80 per cent normally indicates that an organisation kept 80 per cent of its employees in a given time period).

8.11 SUMMARY

- New hires must be put at ease, allowing enough space and room for them to get used to an organisation's rules, regulations and culture in a smooth manner.
- Placement of new hires in jobs matching their skills and competencies is necessary for effective job performance. Job-person misfit needs to be avoided to the extent possible.
- The lateral or vertical movement of an employee within an organisation is known as internal mobility. Transfer is a change in job assignment. It involves movement from one job to another in the same level of hierarchy, requiring similar skills, and involving approximately the same level of responsibility, status and same level of pay. To avoid problems, organisations must have a fair and equitable transfer policy.
- Promotion refers to upward movement of an employee from one job to another that is higher in pay, status, and responsibility. Promotions can be granted on the basis of merit, seniority or a combination of both. To avoid problems, organisations must have a fair and equitable promotion policy. Demotion is the downward movement of an employee in the organisational hierarchy with lower status and pay.
- Retaining top talent is a major challenge confronting many organisations. This is a sensitive issue and needs careful attention from HR department.

NOTES

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?
3. Explain the term 'retrenchment'. What precautions should be taken while retrenching employees?
4. What do you mean by internal mobility and external mobility? Explain the purposes of job changes.
5. Explain the concept of 'transfer'. Identify the reasons for transfers.
6. List the essentials of a good transfer policy.
7. Define promotion. How does it differ from transfer?
8. What is 'demotion'? Why is it needed?
9. What do you mean by "retention"? Explain its importance.

UNIT - III: TRAINING AND DEVELOPMENT

9. Training and Executive Development

STRUCTURE

9.1 INTRODUCTION

Training involves changing skills, knowledge, attitudes or behaviour. It aims at bringing a relatively permanent change in employees so that they are able to perform their jobs well. Jobs in most modern organisations have become complex and challenging. To deliver results, employees need to constantly update their knowledge and skills in performing jobs efficiently and effectively.

9.2 TRAINING, DEVELOPMENT AND EDUCATION

Training is a planned effort aimed at improving the job-related competencies of an employee. These include knowledge, skills or behaviours that are critical for successful job performance. Training involves giving new or current employees the specific skills and knowledge they need to perform their jobs well.

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 of people. There is more theory involved with such education and hence

NOTES

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.

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 with the main purpose of improving 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.

9.3 PURPOSES OF TRAINING

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. It helps 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).

9.4 IMPORTANCE

Training is a vital investment because the payoffs are immeasurable in terms of employee growth, involvement and commitment. It is an important tool of HRM as it helps to control the attrition rate – it helps in motivating people to stay on, acquire new skills and remain continually useful to the organisation; it helps in increasing the job knowledge and skills of employees at each level. The importance of training can be studied under the following heads:

NOTES

Importance of Training

Benefits to the business	Benefits to the employees
• Trained workers are more efficient.	• Training makes an employee more skilled.
• In case of industry, training improves safety, as it imparts knowledge on the proper use of machines and equipment with due regard to safety and possible hazards.	• Internal growth opportunities improve, as the employee acquires new skills. Training also helps an employee to move to another organisation and pursue career goals actively.
• Trained workers show superior performance.	• Trained employees can avoid mistakes or accidents on the job. They are confident, more satisfied and high on morale.
• Training makes employees more loyal and they will be less inclined to leave the unit where there are growth opportunities.	• Training enables employees to cope with organisational, social and technological changes. Effective training is an invaluable investment in the human resources of an organisation.

9.5 TYPES OF TRAINING

There are many approaches to training. The following types of training 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.
- ***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 external consultants who specialise in a particular descriptive.
- ***Cross-functional training:*** This 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.
- ***Team training:*** 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

NOTES

on (*i*) how members should communicate with each other (*ii*) how they have to cooperate and get ahead (*iii*) how they should deal with conflict 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. In creativity training, trainers often focus on three things: (*i*) breaking away from traditional, conventional ways of doing things; (*ii*) generating new ideas through consultation, interaction, switching over to new perspectives, cross-fertilisation of ideas and using the right part of the brain and (*iii*) brainstorming. 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 aims to create better cross-cultural sensitivity with the aim of fostering more harmonious and fruitful working relationships among a firm's employees (irrespective of differences in age, race, gender, disabilities, lifestyles, culture, education and backgrounds).
- ***Literacy training:*** 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 – such as the ability to read, write and speak well – of employees with weak reading, writing or arithmetic skills.
- ***Orientation training:*** In orientation training, new hires get a first-hand view of what the company stands for, how the work is carried out and how to get along with colleagues.

9.6 DESIGNING A TRAINING PROGRAMME: A SYSTEMATIC APPROACH

The key steps involved in designing a training programme may be listed thus:

Steps involved in Designing an Appropriate Training Programme

Assessment of training needs	Identification of training objectives	Organising the training programme	Evaluation of the training programme
• Organisation analysis • Task analysis • Person analysis	• Innovative • Problem solving • Regular	• Responsibility for training • Shortlisting trainers & trainees • Training content and period • Implementation	• Questionnaires • Tests • Interviews • Studies • Cost-benefit analysis • Feedback

9.6.1 Identification of Training and Development Needs

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? 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:

9.6.2 Organisational Analysis

It involves a study of the entire organisation in terms of its objectives, its resources, the utilization 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 utilization analysis:*** How can the various organisational resources (human, physical and financial) be 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.
- ***Organisational climate analysis:*** The climate of an organisation speaks about the attitudes of members towards work, company policies, supervisors, etc. Absenteeism and 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.

9.6.3 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.

9.6.4 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.

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.

9.6.5 Identify Training Objectives

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

Objectives of Training

Innovative	Problem solving	Regular
• Anticipating problems before they occur. • Team-building sessions with the departments.	• Training clerks to reduce complaints. • Training supervisors in communication to reduce grievances.	• Orientation Recurring training of Trainers. • Refresher courses in safety procedures.

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.

9.6.6 Organisation of a Training Programme

Training is serious business. So certain basic things need to be established beforehand in order to run the show smoothly:

- ***Responsibility for training:*** Top management should lay down the training policy and earmark a specific sum as training budget. The HR department should establish a clear-cut criteria before presenting opportunities to operatives.
- ***Shortlisting trainees:*** The question of who is to be trained – new or old workers, skilled and unskilled – should be given considerable time and attention to avoid problems such as bias, favouritism and nepotism. Training opportunities must be thrown open to all without any discrimination.
- ***Identifying the trainers:*** Skilled, knowledgeable and experienced trainers must be identified well in advance. Only competent people should be allowed to handle this job. If required, the trainer identified for this purpose should receive instruction, guidance and help from senior executives who are well-versed with the nuances of the game.

- ***Determining training content and period:*** Training materials, including notes, case studies, brochures, manuals, educational films, should also be identified beforehand. Training content should be printed and circulated to all trainees so that they attend classes after some amount of preparation. The duration of the training needs to be planned according to the nature of the training.
- ***Implementation of the programme:*** The actual implementation of the training needs to be done keeping the skill and learning capabilities of the trainees. The trainer must put the trainees at ease. Audio visual aids, interesting case studies and real life examples should be used extensively to sustain the interest of audience. Interactive elements encourage the trainees to get involved and make the programme participative.

9.6.7 Evaluation of a Training Programme

Training evaluation checks whether training has had the desired impact or not. It also tries to ensure whether candidates are able to implement their learning in their respective workplaces or not. Important methods used to evaluate training effort may be listed thus:

- ***Questionnaires:*** Comprehensive questionnaires could be used to obtain opinions, reactions, and 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.

9.7 ROLE SPECIFIC AND COMPETENCY BASED TRAINING

A competency is a set of knowledge, skills, behaviours, attitudes and characteristics that distinguish one person from another. To achieve career growth and development, employees

NOTES

should be focusing attention on three types of competencies namely – functional, personal and business-related. Functional competencies relate to technical knowledge and skills needed to gain mastery over one's field – such as accounting and taxation principles. Personal competencies relate to individual skills and attitudes required to deal with professional relationships successfully, for example having excellent interpersonal skills. Business competencies relate to the ability to look at issues and situations from the business point of view. Once an organisation is able to identify these competencies for various positions, these can be used to selection and development of employees. Competency based training puts emphasis on what a person can do in the workplace as a result of completing a programme of training or based on workplace experience and learning. Ideally, progress within a competency based training programme is not based on time. As soon as trainees have achieved or demonstrated the required competency, they can move to the next competency. In this way, trainees may be able to complete a program of study much faster. Competency Based Training is based on the concept that people can learn transferable skills and most training is transferable.

9.8 TRAINING PROCESS OUTSOURCING

Outsourcing is simply obtaining work previously done by employees inside the company from sources outside the company. If someone has specialised in an activity – which is not strategically critical to our business – and is able to do that cost-effectively, it is better to get it from outside. You get benefited in the form of excellent quality, reliable supply and rock bottom price. You can also focus exclusively on doing what you are good at (the so called mission critical activities) – thereby enhancing your own competitive advantage. For example, Dell outsources the manufacture of its computers. It concentrates all its efforts on enhancing its Web-based direct sales capability and does not dilute its energies on other aspects of the game.

Outsourcing, not surprisingly, is a big hit with many global firms. Companies such as Nike and Reebok have succeeded by focusing on their core strengths in design and marketing and contracting all their footwear manufacturing to outside suppliers. Outsourcing is changing the way HR departments operate as well. Technology makes it easy to outsource HR activities to specialist service providers, by allowing service providers real time internet based access to the employer's human resource information database. Payroll, benefits, applicant testing and screening, carrying out reference checks, exit interviews, employee training etc are some of the popular human resource tasks that are being outsourced currently. Companies are outsourcing more HR activities now-a-days because the transactional functions could be turned over to a service provider – with a process and technology expertise – and the core company can concentrate its efforts on strategic acquisition, motivation and retention of talent which by all means is critical to business success.

9.8.1 What is Training Process Outsourcing?

Good employees need to feel valued. They want to know that development programs are available, so that they can have the skills needed to do their jobs and grow in their careers.

They also want to know that their employers will help them remain marketable in case they have to find new employment. When an organisation gets its employees trained by an outside agency, it is called training process outsourcing. The training process has many of the same characteristics of other business functions that have been successfully outsourced. Training programs will benefit from best practices and procedures, new systems and new technology, and also from the leverage that outsourcing brings inside an enterprise and from enterprise to enterprise. Outsourcing enables a client to reduce unit cost and head count, reduce its training investment, leverage existing assets, and ensure that the best talent is being used to deliver training. Training process outsourcing can bring in the following benefits:

- Many experts feel that outsourced training offering is a simpler, cheaper, faster, better value proposition.
- TPO helps a firm focus its energies on its core strengths – activities that it can perform better than its rivals
- Heavy investments in building expensive training infrastructure can be avoided
- Specialist training agencies are able to deliver excellent results – since they carry it out again and again meeting clients from various sectors. The resultant cross fertilisation of ideas can immensely help firms not having enough domain expertise and exposure. When professionals run the show, they are able to bring in impressive cost savings as well – in terms of head count and by freeing internal experts to work on other important areas of a company.

Outsourcing is simply obtaining work done, previously by employees inside the company, from sources outside the company. For an organisation it is better to outsource activities, which are not strategically critical to its business, and get it done from outside by someone who has specialised in and is able to do that cost-effectively. This way the organisation gets benefited in the form of excellent quality, reliable supply and rock-bottom price. Moreover, it can also focus exclusively on doing what it is good at (the so-called mission critical activities) thereby enhancing its competitive advantage.

9.9 PRINCIPLES OF TRAINING

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

- ***Modelling:*** Modelling is simply copying someone else's behaviour. Passive classroom 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'.

NOTES

- ***Motivation:*** 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?' People learn more quickly when the training and the subject is important and relevant to them. Learning is also faster 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 encourage 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 and productivity may suffer.
- ***Feedback:*** People learn best if reinforcement is given soon after training. 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 schoolchildren 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 minimizes the physical fatigue that deters learning.
- ***Whole learning:*** The concept of whole learning suggests that employees learn better if the job information is explained as an entire logical process, so that they can see how the various actions fit together into the 'big picture'. A broad overview of what the trainee would be doing on the job should be given top priority, if learning has to take place quickly. Research studies have also indicated that it is more efficient to practice a whole task all at once rather than trying to master the various components of the task at different intervals.
- ***Active practice:*** 'Practice makes a man perfect': so said Bacon. To be a swimmer, you should plunge into water instead of simply reading about swimming or looking at films of the worlds' best swimmers. Learning is enhanced when trainees are provided ample opportunities to repeat the task. For maximum benefit, practice sessions should be distributed over time.
- ***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, learning is very fast at the beginning. Thereafter, the pace of learning slows down as opportunities for improvement taper off.

9.10 EXECUTIVE DEVELOPMENT

Development is an education process as it tries to enhance one's ability to understand and interpret knowledge in a useful way. Development is different from training in that it is often the result of experience and the maturity that comes with it. It is possible to train most people to drive a vehicle, operate a computer, or assemble a radio. However, development in such areas as judging what is right or wrong, taking responsibility for results, thinking logically, understanding cause and effect relationships, synthesising experiences to visualise relationships, improving communication skills, etc., may or may not come through over time. Training certainly helps in improving these types of skills. But when the intent is to enhance executives' ability to handle diverse jobs and prepare them for future challenges, the focus must shift to executive development. Executive development focuses more on the manager's personal growth. It is more future oriented and more concerned with education than is employee training.

9.10.1 Definition

Executive or management development is a planned, systematic and continuous process of learning and growth by which managers develop their conceptual and analytical abilities to manage. It is the result of not only participation in formal courses of instruction but also of actual job experience. It is primarily concerned with improving the performance of managers by giving them stimulating opportunities for growth and development.

9.10.2 Features of Executive Development

The prominent features of executive development are given as under:

- ***Planned effort:*** It is a planned effort to improve executives' ability to handle a variety of assignments. It helps executives handle tasks of increasing difficulty and scope in a competent way.
- ***Continuous learning process:*** It is not a one-shot deal, but a continuous, ongoing educational process. The learning on the part of executives is going to be broad and multifarious.
- ***Improve total personality of executive trainees:*** It aims at improving the total personality of an executive. The whole exercise is meant to help executives acquire competencies that could be put to effective use in a variety of situations. It aims at bringing about a relatively permanent change in the behaviours and attitudes of executives.

NOTES

- *Future-oriented:* It aims at meeting future needs unlike training, which seeks to meet current needs. Executives are better equipped to handle complex jobs of increasing scope and difficulty in a variety of situations – once they complete the executive development programmes.
- *Long-term educational exercise:* It is a long-term educational process, as managers take time to acquire and improve their capabilities.
- *Proactive in nature:* It is proactive in nature as it focuses attention on the present as well as future requirements of both the organisation and the individual.

9.10.3 Importance

Executive development has become indispensable to modern organisations in view of the following reasons:

- *Acquire knowledge and skills:* For any business, executive development is an invaluable investment in the long run. It helps managers to acquire knowledge, skills and abilities (KSAs) required to grapple with complex changes in environment, technology and processes quite successfully. They can have a better grip over market forces and get ahead of others in the race in a confident manner.
- *Realize potential:* Developmental efforts help executives to realize their own career goals and aspirations in a planned way.
- *Achieve superior performance:* Executives can show superior performance on the job. By handling varied jobs of increasing difficulty and scope, they become more useful, versatile and productive. The rich experience that they gain over a period of time would help them step into the shoes of their superiors easily.
- *Broaden outlook:* Executive development programmes help managers to broader their outlook, look into various problems dispassionately, examine the consequences carefully, appreciate how others would react to a particular solution and discharge their responsibilities taking a holistic view of the entire organisation.
- *Know how to get things done:* The special courses, projects, committee assignments, job rotation and other exercises help managers to have a feel of how to discharge their duties without rubbing people (subordinates, peers, superiors, competitors, customers, etc.) the wrong way.

Steps in the Organisation of a Management Development Programme

The following are the important steps in the organisation of a management development programme: (Noe; Wexley; Quinnones)

1. *Analysis of organisational development needs:* After deciding to launch a management development programme, a close and critical examination of the present and future development needs of the organisation has to be made. We should know how many and what type of managers are required to meet the present and future requirements.
2. A comparison of the already existing talents with those that are required to meet the projected needs will help the top management to take a policy decision as to whether it wishes to fill those positions from within the organisation or from outside sources.

NOTES

3. ***Appraisal of present management talents:*** In order to make the above suggested comparison, a qualitative assessment of the existing executive talents should be made and an estimate of their potential for development should be added to that. Only then can it be compared with the projected required talents.
4. ***Inventory of management manpower:*** This is prepared to have a complete set of information about each executive in each position. For each member of the executive team, a card is prepared listing such data as name, age, length of service, education, work experience, health record, psychological test results and performance appraisal data, etc. The selection of individuals for a management development programme is made on the basis of the kind of background they possess.
5. Such information, when analysed, discloses the strengths as well as weaknesses or deficiencies of managers in certain functions relating to the future needs of the organisations.
6. ***Planning of individual development programmes:*** Guided by the results of the performance appraisal that indicates the strengths and weaknesses of each of the executives, this activity of planning of individual development programme can be performed.
7. ***Establishment of development programmes:*** It is the duty of the HR department to establish the developmental opportunities. The HR department has to identify the existing level of skills, knowledge, etc., of various executives and compare them with their respective job requirements. Thus, it identifies developmental needs and requirements and establishes specific development programmes, like leadership courses, management games, sensitivity training, etc.
8. ***Evaluation of results:*** Executive development programmes consume a lot of time, money and effort. It is, therefore, essential to find out whether the programmes have been on track or not. Programme evaluation will cover the areas where changes need to be undertaken so that the participants would find the same to be relevant and useful for enriching their knowledge and experience in future. Opinion surveys, tests, interviews, observation of trainee reactions, rating of the various components of training, etc., could be used to evaluate executive development programmes.

9.11 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.
- 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, a systematic approach – also known as the systems approach to training – needs to be put in place. The systems approach

NOTES

consists of four phases: needs assessment, setting training objectives, organisation and implementation of training programme and evaluation of results.

- Learning principles are the guidelines to the way people learn most effectively. More effective training incorporates more of these principles.
- Management development is the process in which executives acquire not only skills and competencies in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope.
- Management development, in contrast to employee training, is more future-oriented and concerned with education.

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.

NOTES

10. Career Planning and Development

STRUCTURE

10.1 INTRODUCTION

Nowadays, employees have started demanding a rewarding career in place of a simple job. A secure job with time bound promotions would no longer satisfy the aspiring, young recruits. They want jobs with stretch, pull and challenge. They want excitement, psychic satisfaction, due recognition followed by appropriate rewards. They are not willing to take everything as it comes; instead they want to have a firm grip over their careers. They are willing to change hats, shift gears and do whatever possible to get what they want (*Carla Joinson, 2001*). Employee loyalty toward a particular organisation or a job seems to be a thing of the past. If the organisation does not offer rewarding growth opportunities, employees do not wish to spend their time just like that and become part of history. They are willing to go that extra mile in seeking jobs that are in sync with their competencies and skill sets. As a result, talented employees are likely to work in many different organisations during the course of their careers (unlike employees in yester years who used to work for only one organisation during their entire work life) Employers, too, are not taking any chances with people who lack enthusiasm, drive and energy to deliver results.

10.2 CAREER PLANNING

Career planning is the process by which one selects career goals and the path to these goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically available in the organisation.

- Career planning seeks to put an employee on path of career growth and success.

NOTES

- Its focus is not on vertical growth of an employee. The focus is on fulfilling career aspirations of an employee and thereby achieve psychological fulfillment and success.
- Career planning is not an event or end in itself, but a continuous process of developing human resources for achieving optimum results.
- Career planning is a way of converting career goals into concrete action plans that are in sync with organisational goals.

10.2.1 Objectives

Career planning seeks to meet the following objectives:

1. Attract and retain talent by offering careers, not jobs.
2. Use human resources effectively and achieve greater productivity.
3. Reduce employee turnover.
4. Improve employee morale and motivation.
5. Meet the immediate and future human resource needs of the organisation on a timely basis.

10.2.2 Process

The career planning process involves the following steps:

(*a*) ***Identifying individual needs and aspirations:*** Most individuals do not have a clear cut idea about their career aspirations, anchors and goals. The human resource professionals must, therefore, help an employee by providing as much information as possible showing what kind of work would suit the employee most, taking his skills, experience, and aptitude into account. Such assistance is extended through workshops/seminars while the employees are subjected to psychological testing, simulation exercises, etc. The basic purpose of such an exercise is to help an employee form a clear view about what he should do to build his career within the company. Workshops and seminars increase employee interest by showing the value of career planning. They help employees set career goals, identify career paths and uncover specific career development activities (discussed later). These individual efforts may be supplemented by printed or taped information. To assist employees in a better way, organisations construct a data bank consisting of information on the career histories, skill evaluations and career preferences of its employees (known as skill or talent inventory).

(*b*) ***Analysing career opportunities:*** Once career needs and aspirations of employees are known, the organisation has to provide career paths for each position. Career paths show career progression possibilities clearly. They indicate the various positions that one could hold over a period of time, if one is able to perform well. Career paths change over time, of course, in tune with employee's needs and organisational requirements. While outlining career paths, the claims of experienced persons lacking professional degrees and that of young recruits with excellent degrees but without experience need to be balanced properly.

(c) ***Aligning needs and opportunities:*** After employees have identified their needs and have realised the existence of career opportunities the remaining problem is one of alignment. This process consists of two steps: first, identify the potential of employees and then undertake career development programmes (discussed later on elaborately) with a view to align employee needs and organisational opportunities.

(d) ***Action plans and periodic review:*** The matching process would uncover gaps. These need to be bridged through individual career development efforts and organisation supported efforts from time to time. After initiating these steps, it is necessary to review the whole thing every now and then. This will help the employee know in which direction he is moving, what changes are likely to take place, what kind of skills are needed to face new and emerging organisational challenges. From an organisational standpoint also, it is necessary to find out how employees are doing, what are their goals and aspirations, whether the career paths are in tune with individual needs and serve the overall corporate objectives, etc.

10.3 CAREER DEVELOPMENT

Career development consists of the personal actions one undertakes to achieve a career plan. The terms 'career development' and 'employee development' need to be differentiated at this stage. Career development looks at the long-term career effectiveness of employees, whereas employee development focuses on effectiveness of an employee in the immediate future. The actions for career development may be initiated by the individual himself or by the organisation. These are discussed below (Bernardin; Knowdell; Lvowitz)

10.3.1 Individual Career Development

Career progress and development is largely the outcome of actions on the part of an individual. Some of the important steps that could help an individual cross the hurdles on the way 'up' may include:

(a) ***Performance:*** Career progress rests largely on performance. If the performance is sub-standard, even modest career goals can't be achieved.

(b) ***Exposure:*** Career development comes through exposure, which implies becoming known by those who decide promotions, transfers and other career opportunities. You must undertake actions that would attract the attention of those who matter most in an organisation.

(c) ***Networking:*** Networking implies professional and personal contacts that would help in striking good deals outside (*e.g.*, lucrative job offers, business deals, etc.). For years men have used private clubs, professional associations, old-boy networks, etc., to gain exposure and achieve their career ambitions.

(d) ***Leveraging:*** Resigning to further one's career with another employer is known as leveraging. When the opportunity is irresistible, the only option left is to resign from the current position and take up the new job (opportunity in terms of better pay, new title, a new learning experience, etc.). However, jumping too jobs frequently (job-hopping) may not be a good career strategy in the long run.

NOTES

(e) ***Loyalty to career:*** Professionals and recent college graduates generally jump jobs frequently when they start their career. They do not think that career-long dedication to the same organisation may not help them further their career ambitions. To overcome this problem, companies such as Infosys, NIIT, WIPRO (all information technology companies where the turnover ratios are generally high) have come out with lucrative, innovative compensation packages in addition to employee stock option plans for those who remain with the company for a specified period.

(f) ***Mentors and sponsors:*** A mentor is, generally speaking, an older person in a managerial role offering informal career advice to a junior employee. Mentors take junior employees as their protégés and offer advice and guidance on how to survive and get ahead in the organisation. They act as role models. A sponsor, on the other hand, is someone in the organisation who can create career development opportunities.

(g) ***Key subordinates:*** Qualified and knowledgeable subordinates, often extend invaluable help that enables their bosses to come up in life. When the bosses cross the bridge, they take the key subordinates also along with them. In his own self interest, the subordinate must try to find that winning horse on which he can bet.

(h) ***Expand ability:*** Employees who are career conscious must prepare themselves for future opportunities that may come their way internally or externally by taking a series of proactive steps (*e.g.*, attending a training programme, acquiring a degree, updating skills in an area, etc.).

10.3.2 Organisational Career Development

The assistance from managers and HR department is equally important in achieving individual career goals and meeting organisational needs. A variety of tools and activities are employed for this purpose *(Bernardin, pp. 350-356).*

(a) ***Self-assessment tools:*** Here the employees go through a process in which they think through their life roles, interests, skills and work attitudes and preferences. They identify career goals, develop suitable action plans and point out obstacles that come in the way. Two self-assessment tools are quite commonly used in organisations. The first one is called the career-planning workshop. After individuals complete their self-assessments, they share their findings with others in career workshops. These workshops throw light on how to prepare and follow through individual career strategies. The second tool, called a career workbook, consists of a form of career guide in the question-answer format outlining steps for realising career goals. Individuals use this company specific, tailor-made guide to learn about their career chances. This guide, generally throws light on organisation's structure, career paths, qualifications for jobs and career ladders.

Career Self-assessment Instrument

NOTES

Name .... Age ....
Department ....

Part A: Values and Experience

1. Describe the roles in your life that are important to you (work life, family life, religious life, community life etc.) Explain why these roles are important to you. Indicates how these roles impact your total life satisfaction. Assign a per cent to each role (0 to 100 per cent) so that the total adds up to 100 per cent.
2. Describe your educational backgroun, including the degrees earned, academic strengths and weaknesses, extra curricular activities etc.

Degree/Diplomas	Academic Strengths/ Weaknesses	Academic Activities	Extracurricular
1	1	1	1
2	2	2	2
3	3	3	3

3. List any jobs you held your experience in each position

Occupation	Job	Degree of specialisation	What I Liked	What I Disliked	Why I Left
1.					
2.					
3.					
4.					
5.					

4. Describe any skills (rank 1 to 5 (lowest to highest) that you possess

(a) Communication	1	2	3	4	5
(b) Leadership	1	2	3	4	5
(c) Interpersonal	1	2	3	4	5
(d) Team building	1	2	3	4	5
(e) Creativity	1	2	3	4	5
(f) Technical	1	2	3	4	5

(Tick the most appropriate one)

5. Summarise any recognition/awards that you have received in relation to your education, work experience, skills or extra curricular activities.

Part B. Career Goals, Work Attitudes and Preferences

1. The most important needs I want to satisfy in my career are:

a

b

c

NOTES

2. These needs can be fulfilled in the following:

Areas	Skills/Assistance needed
a:	a:
b:	b:
c:	c:

3. How important are these values to you in your work (1 most important : 10 least important)

Values	Rank
1. Independence or autonomy	–
2. Financial rewards	–
3. Sense of achievement	–
4. Helping others	–
5. Creating something	–
6. Job security	
7. Good working conditions	–
8. Friendships at work	–
9. Variety of tasks	–
10. Equality and fairness	–

4. Whatever job I handle, I do not wish to compromise on the following:

1:	4:
2:	5:
3:	6:

5. What internal and external constraints might you encounter along the way toward achievement of your career goals?
6. List the specific jobs that might be in line with the above requirements:
   a
   b
   c
7. Finally, rate yourself on each of the following personal qualities or work characteristics. Write one response for each characteristic (using the following scale: 1. very low, 2. low, 3. average, 4. high, 5. very high)
   a. Emotional maturity
   b. Initiative/Independence
   c. Punctuality
   d. Ability to handle conflict
   e. Ability to plan, organise and determine work priorities
   f. Dependability in completing work
   g. Flexibility and open mindedness
   h. Perseverance/willingness to work
   i. Ability to set and achieve goals

(*b*) ***Individual counselling:*** Employee counselling is a process whereby employees are guided in overcoming performance problems. It is usually done through face-to-face meetings between the employee and the counsellor or coach. Here, discussions of employees' interests, goals, current job activities and performance

NOTES

and career objectives take place. Counselling is generally offered by the HR department. Sometimes outside experts are also be called in. If supervisors act as coaches they should be given clearly defined roles and training. This is, however, a costly and time consuming process.(Zunker)

(c) ***Information services:*** Employment opportunities at various levels are made known to employees through information services of various kinds. Records of employees' skills, knowledge, experience and performance indicate the possible candidates for filling up such vacancies. For compiling and communicating career-related information to employees, organisations basically use four methods:

- *Job posting system:* Job posting systems are used by companies to inform employees about vacancies in the organisation through notice boards, newsletters and other company publications.
- *Skills inventory:* Skills inventories (containing employees' work histories, qualifications, accomplishments, career objectives, geographical preferences, possible retirement dates, etc.) are created to help organisations learn the characteristics of their workforces so that they can use the skills of their employees, whenever required. Skills inventories also reveal shortage of critical skills among employees, which is helpful in tracing training needs.
- *Career ladders and career paths:* Career paths and ladders throw light on career progression and future job opportunities in the organisation. They indicate a career plan complete with the goal, intermediate steps and time-tables for realising the goal. Usually career paths for fast-track employees are laid down in most organisations outlining a series of career moves that these employees need to initiate in order to reach higher level positions.
- *Career resource centre:* The career centre is a sort of library in the organisation established to distribute career development materials such as reference books, career manuals, brochures, newsletters and learning guides and self-study tapes.

(d) ***Employee assessment programmes:*** New recruits receive orientation programme so that they can get along with work and colleagues. A senior employee generally assists them in getting used to the new work environment. In addition to this, special assessment programmes are put in place so as to find out the employees' potential for growth and development in the organisation. They include assessment centre, psychological testing, promotability forecasts and succession planning.

- *Assessment centres:* A number of performance simulation tests and exercises (tests, interviews, in-baskets, business games) are used to rate a candidate's potential in assessment centre method. The performance on these exercises is evaluated by a panel of raters and the candidates are given feedback on their strengths and weaknesses. This feedback helps participants to assess where they stand and what is to be done to scale the corporate ladder in future.

NOTES

- *Psychological tests:* Diagnostic tests are used to help candidates determine their vocational interests, personality types, work attitudes and other personal characteristics that may uncover their career needs and preferences.
- *Promotability forecasts:* This is a process of identifying employees with high career potential and giving them necessary training and thereby groom them for higher positions.
- *Succession planning:* This is a report card showing which individuals are ready to move into higher positions in the company. The HR department keeps records of all potential candidates who could move into senior positions, whenever required.

(*e*) ***Employee developmental programmes:*** These consist of skill assessment (explained above) and training efforts that organisations use to groom their employees for future vacancies. Seminars, workshops, job rotations and mentoring programmes are used to develop a broad base of skills as a part of such developmental activities.

(*f*) ***Career programmes for special groups:*** To take care of the needs of special groups such as dual career couples especially in knowledge based industries (a situation where both husband and wife have distinct careers outside the home) companies are coming out with schemes such as part-time work, long parental leave, child care centres, flexible working hours and promotions and transfers in tune with the demands of dual career conflicts. Outplacement assistance is extended to employees who are laid off for various reasons. In addition to holding workshops, outside experts are called in to show individuals how to focus on their talents, develop resumes and interview with prospective employers. Special programmes are also organised for minorities, employees with disabilities, women and late-career employees so that they can have clear career goals and action plans in line with organisational requirements.

10.3.3 Effective Career Planning

It's clear from the above table that systematic career planning efforts offer innumerable benefits to both the individuals and organisations. To ensure success here, a number of steps should be taken.

(*a*) ***Support:*** Career planning efforts must receive consistent support and continued blessings from the top management.

(*b*) ***Goals:*** The corporate goals must be laid down clearly. It is not possible to develop appropriate goals for human resources if you are not very sure about your journey in the next 5 or 10 years.

(*c*) ***Reward performance:*** Employees must be willing to expand their abilities; trainers must be willing to coach, counsel and share their knowledge with employees. There must be appropriate rewards for people from both sides who show promise.

(d) ***Placement:*** Every effort must be made to put employees on jobs that are in tune with their capabilities. If a talented employee is put on a routine job, he will quit in frustration.

(e) ***Career paths:*** The career paths for different types of employees must be laid down clearly. Fast track promotions should be available to talented people, seniors could be used on jobs requiring experience and judgement, juniors could be used for jobs that demand routine application of rules and procedures, etc.

(f) ***Continuous tracking:*** Career planning efforts should be carried out on a continuing basis keeping the changing needs of employees and the organisation in mind. A record of career movements of employees must be kept and periodic assessment of who has gone where should be made.

(g) ***Publicity:*** Everyone should be aware of the career opportunities within the organisation.

10.4 SUMMARY

- Career planning is the process by which one selects career goals and the path to these goals. Career planning is not a sure bet, but without it, employees are seldom ready for the career opportunities that arise.
- Career development is a lifelong process of understanding your career preferences; identifying, obtaining and developing appropriate skills and training for that career and continually evaluating your career preferences and skills over your working life to find whether they continue to meet your needs and those of the organisation.
- Career development could occur at the individual or the organisational level. Individuals can push up their careers through performance, exposure, networking, leveraging, etc. Important organisational career development techniques include career counselling, job postings, assessment centres, career development workshops, periodic job chanġes, etc.

Review Questions

1. What is career planning? Outline the process of career planning clearly.
2. Examine the need for career planning from the point of view of an individual employee and the organisation.
3. What is career development? Explain the process of career development clearly.
4. Suppose you are assigned to develop a carert planning and development programme in a large organisation with a diverse workforce. What unique concerns might you have because of this diversity?

NOTES

CASE STUDY Unfair Promotion

Electronic Industries Ltd, Faridabad is producing electric bulbs, water coolers, air coolers and refrigerators. Recently, it added a new line of production, *i.e.*, electric motors both for domestic and agricultural purposes. It needed one electric engineer with B. Tech qualification to look after the new plant producing electric motors. Presently, five electric engineers with B.E. qualification are working as Assistant Engineers in the existing plant. The company advertised for the post of Chief Engineer (Electrical) for its new plant. It received twelve applications out of which five are Assistant Engineers working in the existing plant.

The company used techniques of preliminary interviews, tests, final interview and medical examination and finally selected Mr Anil Ambani, employed in the existing plant of the company. He is fourth in the seniority list of the Assistant Engineers in the present plant. The company served the appointment order to Mr Ambani and he joined as Chief Engineer in the new plant. But the three Assistant Engineers in the existing plant moved the issue to the court of law contesting that the selection of Mr Ambani is not valid as he does not have seniority among the Assistant Engineers in the existing plant.

Questions

1. Comment on the managerial choice in favour of Mr Ambani.
2. Is it necessary to promote only seniors to higher posts in an organisation? Why? Why not?
3. What is the legal position in such cases in India?

NOTES

UNIT - IV: PERFORMANCE APPROVAL, NATURE AND OBJECTIVES

11. Performance and Potential Appraisal

STRUCTURE

11.1 PERFORMANCE APPRAISAL: MEANING AND PURPOSE

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.

Performance appraisal is a method of evaluating the behaviour of employees in the work spot, normally including both the quantitative and qualitative aspects of job performance., 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.

11.2 FEATURES

The main characteristics of performance appraisal may be listed thus:

- ***Systematic process:*** The appraisal is a systematic process that tries to evaluate performance in the same manner using the same approach. A number of steps are followed to evaluate an employee's strengths and weaknesses.

NOTES

- ***Picture of employee strengths and weaknesses:*** It provides an objective description of an employee's job-relevant strengths and weaknesses.
- ***Indicates how well X is doing on the job:*** It tries to find out how well the employee is performing the job and tries to establish a plan for further improvement.
- ***Not a one-shot deal:*** The appraisal is carried out periodically, according to a definite plan. It is certainly not a one-shot deal.
- ***It is different from Job evaluation:*** Performance evaluation 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.
- ***It may be formal or informal:*** 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.

11.3 OBJECTIVES

The main objectives of performance appraisal may be listed thus:

- Offer feedback on performance to employees.
- Identify employee training needs.
- Document criteria used to allocate organisational rewards.
- Form a basis for personnel decisions such as salary increases, promotions and disciplinary actions.
- Provide the opportunity for organisational diagnosis and development.
- Facilitate communication between employee and administrator.
- Validate selection techniques and human resource policies to meet federal equal employment opportunity requirements.

11.4 PERFORMANCE APPRAISAL PROCESS

Performance appraisal is planned, developed and implemented through a series of steps.

- ***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. Both the appraiser and the appraise must have a clear idea about the standards to be met.
- ***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.

- ***Measure actual performance:*** After the performance standards are set and accepted, the next step is to measure actual performance. This requires the (*i*) use of appropriate technique of measurement, (*ii*) understanding the factors that affect performance and (*iii*) obtaining information on results achieved. Factors like experience, individual judgement, personal observation and written reports help the appraisers get the requisite information.
- ***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 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.
- ***Taking corrective action:*** 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.

11.5 METHODS OF PERFORMANCE APPRAISAL

The performance appraisal methods may be classified into three categories, as shown below:

Performance Appraisal Methods

Individual evaluation methods

1. Confidential report
2. Essay evaluation
3. Critical incidents
4. Checklists
5. Graphic rating scale
6. Behaviourally anchored rating scales
7. Forced choice method
8. MBO

Multiple-person evaluation methods

9. Ranking
10. Paired comparison
11. Forced distribution

Other methods

12. Group appraisal
13. HRA
14. Assessment centre
15. Field review

Fig. 11.1 Performance Appraisal Methods

NOTES

11.5.1 Individual Evaluation Methods

Under the individual evaluation methods of merit rating, employees are evaluated one at a time without comparing them with other employees in the organisation.

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.

Essay Evaluation

Under this method, the rater is asked to express the strong as well as weak points of the employee's behaviour. It 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.
- 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.

Critical Incident Technique

Under this method, the manager prepares lists of statements of very effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding or poor behaviour of employees or the job. The manager maintains logs of 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 worker's performance. Example of a good critical incident of a Customer Relations Officer is: 'June 10 – The officer processed complaints from customer patiently. He was polite in his replies and prompt in resolving the knotty issues. He showed maturity and emotional balance while handling angry protests from customers.' This method provides an objective basis for conducting a thorough discussion of an employee's performance. This method avoids recency bias (most recent incidents get too much emphasis). However, it suffers 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.

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 give respect to 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.

Graphic Rating Scale

Graphic rating scales require an evaluator to indicate on a scale the degree to which an employee demonstrates a particular trait, behaviour, or performance result. Rating forms are composed of a number of scales, each relating to a certain job or performance-related dimension, such as job knowledge, responsibility, or quality of work. Each scale is a continuum of scale points, which range from high to low, from good to poor, from most to least effective, and so forth. Scales typically have from five to seven points. Graphic rating scales may or may not define their scale points. The rating scale that is shown below measures two things: quantity of work and quality of work.

NOTES

Typical Graphic Rating Scale

Employee name Job Title
Department Rate
Date
Unsatisfactory Fair Satisfactory Go..d Outstanding
Quantity of work
Quality of work
Knowledge of the job
Attitude
Dependability
Cooperation

Carefully constructed graphic rating scales have a number of advantages:

- Standardisation of content permitting comparison of employees.
- Ease of development use and relatively low development and usage cost.
- Reasonably high rater and ratee acceptance.

A weak spot in such rating scales is that they are susceptible to rating errors which result in inaccurate appraisals. Possible rating errors include halo effect, central tendency, severity, and leniency. The halo effect occurs when a rating on one dimension of an appraisal instrument substantially influences the ratings on other dimensions for the same employee. As a result of the halo effect, an employee is rated about the same across all performance dimensions. Central tendency is a lack of variation or difference among ratings of different subordinates, wherein most employees tend to be rated as average. Leniency refers to an evaluator's tendency to rate most employees very highly across performance dimensions, whereas severity refers to the tendency to rate most employees quite harshly.

Behaviourally Anchored Rating Scales (BARS)

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. It consists of predetermined critical areas of job performance or sets of behavioural statements describing important job performance qualities as good or bad (for example, qualities like inter-personal relationships, adaptability, reliability, and job knowledge). These statements are developed from critical incidents. In this method, an employee's actual job behaviour is judged against the desired behaviour by recording and comparing the behaviour with BARS. Developing and practicing BARS requires considerable skills and expert knowledge.

Evaluation: The ratings are fairly accurate since they are carried out by experts. Since job-specific factors are observed and measured, the ratings are more reliable. Employees tend to accept them readily since they have participated in the process. The method allows participants learn from the feedback and grow. The method, however, suffers from the following disadvantages:

- Requires observational skill and proper determination of critical behaviours; inadequacies can lead to misleading data.
- Compilation of critical behaviours takes considerable time and effort, and recording data also involve alert and constant observations (*i.e.*, keeping logs).
- Less preferable due to similarity to trait measures.

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 is a classic illustration of the forced choice items in organisations.

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 over plus when the positive factors override the negative ones or when one of the negative phrases is checked as being insignificantly rated. The 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.

Management by Objectives

Management by objectives (MBO) (also called 'appraisal by result', 'planning by objectives, 'goal management', 'work planning and review', 'joint target setting' etc.) is an overall philosophy of management that concentrates on measurable goals and end results. It provides a systematic and rational approach to management and helps prevent management by crisis. MBO is based on the assumption that people perform better when they know what is expected of them and can relate their personal goals to the organisational objectives. It also assumes that people are interested in the goal-setting process and in evaluating their performances against the target. In the words of Odiorne, MBO is a 'process whereby the superior and subordinate managers of an organisation jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members' Important features of this method may be listed thus:

- ***Joint goal setting:*** MBO requires the superior and the subordinate to recognize that the development of objectives is a joint effort. They must be jointly agree and write out their duties and areas of responsibility in their respective jobs.
- ***Quantifiable goals:*** MBO is all about goals that are tangible, verifiable and measurable. The subordinate in consultation with his superior sets his own short-term goals – that are realistic and attainable.
- ***Focus on goal achievement:*** MBO focuses special attention on what must be accomplished (goals) rather than how it is to be accomplished (methods). The superior and the subordinate mutually find out ways and means to achieve the goals that are mutually agreed upon. They mutually set the standards to be followed and decide the norms for evaluating performance.
- ***Effective results:*** MBO paves the way for the attainment of goals by putting resources to best use – with a single minded focus on attainable goals. Subordinates are allowed to think creatively and meet targets. When everyone is aware of what needs to achieved and how the performances is going to be evaluated and rewarded – the end result is superior performance.
- ***Consistent support and continued blessings from superior:*** Superiors extend their help whenever and wherever needed. They offer necessary coaching and guidance from time to time. They keep all communication lines open. The whole focus is on getting results, through mutual support, help and cooperation.

11.5.2 Multiple-Person Evaluation Techniques

The above discussed methods are used to evaluate employees one at a time. In this section let us discuss some techniques of evaluating one employee in comparison to another. Three such frequently used methods in organisation are – ranking, paired comparison and forced distribution.

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 tested 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 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 major limitations of this method are:

NOTES

- 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 painstaking 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.

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 who is the 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 $n(n - 2)$. 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.

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 5-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, workers of outstanding merit may be placed at the top 10 per cent of the scale; 20 per cent may be given good rating (*i.e.*, above average); 40 per cent satisfactory (or average); 20 per cent fair and 10 per cent unsatisfactory (below average or poor) 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

NOTES

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 lower grade (than expected) feel frustrated and exhibit, over a period of time, reluctance to work.

11.5.3 Other Methods

Other methods of appraising performance include: Group Appraisal, Human Resource Accounting, Assessment Centre, Field Review, etc. These are discussed in the following sections:

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 or performance, etc. Then the group appraises the performance of the employee, compares the actual performance with standards, finds out the deviations, discusses the reasons therefore, suggests ways for improvement of performance, prepares an action plan, studies the need for change in the job analysis and standards and recommends changes, if necessary. This method eliminates 'personal bias' to a large extent, as performance is evaluated by multiple rates. But it is a very time-consuming process.

Human Resource Accounting

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 and development skills acquired by employees over a period of time through experience. 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.

Assessment Centre

This method of appraising was first applied in the 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 in which several individuals are assessed by 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 and transactional analysis.

In this approach individuals from various departments are brought together to spend two or three days working on an individual or group assignment similar to the ones they would be handling when promoted. 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 those assessed 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 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 high-profile departments and enhance their chances of promotion. 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.

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 standardized 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.

NOTES

11.6 360-DEGREE APPRAISAL SYSTEM

360-degree appraisal is a system or process in which employees receive confidential, anonymous feedback from the people who work around them. The inputs for the said appraisal are provided by subordinates, peers, superiors, team members, customers, suppliers and anyone who works closely with the employee (whose performance is evaluated by multiple raters) in question. The appraisal measures behaviours and competencies exhibited by the ratee over a period of time. The skills that are being appraised include listening, planning and goal setting. Other aspects of behaviour such as teamwork, leadership and effectiveness are also assessed. The responses from different raters (subordinate's appraisal, peer appraisal, superior's appraisal along with self appraisal) are combined to obtain an objective assessment of the ratee's performance and behaviours. The feedback could be brutally frank – but reliable and credible – since it is obtained in an anonymous manner. As such, the quality of information obtained tends to be high. There is less scope for individual bias or prejudice coming in the way of an unbiased assessment.

The emerging discrepancies between an employee's self-appraisal and the appraisals from others could be put to close examination. Such a probing exercise could uncover gaps and help the ratee to cover them up through efforts aimed at self growth and self development. Not surprisingly, over 90 per cent of Fortune 500 companies have implemented some form of 360-degree feedback system for career development, performance appraisal, or both. Organisations like NTPC, State Bank of India, Titan Industries, Bajaj Auto, Dr. Reddy's Laboratories have reposed their faith in the 360-degree appraisals and have been using these increasingly in recent times. The method is highly popular in almost all leading IT companies, including the likes of Infosys, Wipro, TCS and KPMT Cummins.

11.7 AN EFFECTIVE APPRAISAL SYSTEM

An effective appraisal system should possess the following essential characteristics:

- ***Reliability and validity:*** Appraisal system should provide consistent, reliable and valid information and data, which can be used to defend the organisation, even in legal challenges. If two appraisers are equally qualified and competent to appraise an employee with the help of the same appraisal technique, their ratings should agree with each other. Then the technique 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 an employee is appraised with the object of promotion, information related to his potentialities to take up higher responsibilities and carry on activities at higher level should be supplied.
- ***Job relatedness:*** The appraisal technique should measure the performance and provide information in job-related activities/areas.
- ***Standardization:*** Appraisal forms, procedures, administration of techniques, ratings, etc., should be standardized as appraisal decisions affect all employees of the group.

- ***Practical viability:*** The techniques should be practically viable to administer, possible to implement and economical to undertake continuously.
- ***Legal sanction:*** Appraisals must meet the laws of the land. They must comply with provisions of various acts relating to labour.
- ***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.
- ***Open communication:*** Most employees want to know how well they are performing the job. A good appraisal system provides the needed feedback on a continual basis. The appraisal interviews should permit both parties to learn about the gaps and prepare themselves for future. To this end, managers should clearly explain their performance expectations to their subordinates in advance of the appraisals period. Once this is known, it becomes easy for employees to learn about the yardsticks and, if possible, try to improve their performance in future.
- ***Employee access to results:*** Employees should know the rules of the game. They should receive adequate feedback on their performance. If performance appraisals are meant for improving employee performance, then withholding 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.
- ***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 2015*).

11.8 POTENTIAL APPRAISAL

In most Indian organisations, people earn promotions on the basis of their past performance, which 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. Potential typically represents latent qualities (such as ability foresee opportunities and their impact on current decisions, ability to identify resource gaps, ability to perform tasks in a tough setting, ability to function in diverse settings with confidence, ability to see the big picture clearly; displaying a high degree of personal and intellectual integrity at all times) exhibited by an individual while performing various tasks/jobs (Pattanayak, 2008, 137-140). 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 (Pareek, p.141). 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.

Essentials of 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:

- *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.
- *Tests:* Managerial and behavioural dimensions can be measured through a battery of psychological tests.
- *Games:* Simulation games and exercises (assessment centre, business games, in-basket, role play, etc.) could be used to uncover the potential of a candidate.
- *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.

Organizing 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:

- How much weightage to accord to merit in place of seniority in promotions?
- How much weightage to accord to each of the performance dimensions – technical, managerial, behavioural qualities?
- 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."

NOTES

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 Fig. 11.2 here. (Modak)

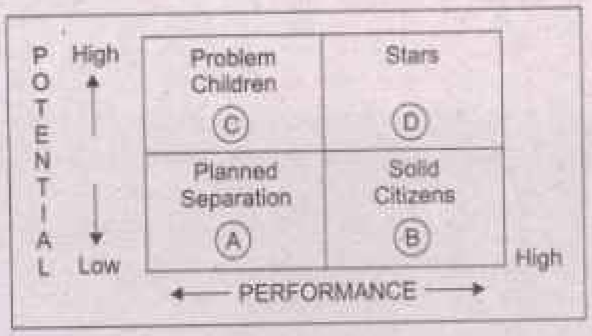


Fig. 11.2 HRM as a Central Sub-system in an Enterprise.

(*a*) ***Low potential-low performance:*** Employees with low potential and low performance levels ('question marks') are asked to improve their performance initially. If that effort fails, Philips works towards a planned separation.

(*b*) ***Low potential-high performance:*** Defined as solid citizens – high skills but limited capability to grow beyond their current job profile – they constitute 70 to 75 per cent of the company's employees. The company has to constantly recognise their limitations and look after their needs.

(*c*) ***Low performance-high potential:*** These are the problem children. In most cases, they do well in their jobs – if a location, boss or job profile is changed. To tap their potential, such employees are given a new scenario to work in and are closely observed. If they continue to show low performance, the separation process is initiated.

(*d*) ***High performance-high potential:*** They are the star performers and ought to be pampered like race horses – putting them on challenging tasks constantly.

Philips uses a five-point scale to measure the potential of an employee and put him into one of the above quadrants. The potential appraisal criteria include the following:

1. Conceptual effectiveness (including vision, business orientation, entrepreneurial orientation, sense of reality).
2. Interpersonal effectiveness (network directedness, negotiating power, personal influence, verbal behaviour).
3. Operational effectiveness (result orientation, individual effectiveness, risk-taking, control).
4. Achievement Motivation (drive, professional ambition, innovativeness, stability).

Once the potential of an employee is measured along these dimensions on a five-point scale, Philips lays down a fast-track, career growth plan for the star performers. (5 year to 10 year plan). Companies like Glaxo, Cadbury have similar processes in place to separate the star performers from the employee ranks and exploit their potential fully using rewards and incentive schemes to good effect.

NOTES

11.9 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.

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. Evaluate the significance of performance appraisal in an educational institution. How would you make it more effective?
6. "Performance appraisal is not merely for appraisal but is for accomplishment and improvement of performance". Discuss.
7. Distinguish performance appraisal from potential appraisal.
8. What are the three methods of appraisal? Which method would you prefer as an employee? As a manager? Why?
9. Suppose you are a supervisor. What errors might you make when doing an employees' performance appraisal?

NOTES

12. Job Evaluation

STRUCTURE

12.1 INTRODUCTION

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.

12.2 FEATURES OF JOB EVALUATION

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 can be summarised as follows (Henderson):

- 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.

NOTES

12.3 PROCESS OF JOB EVALUATION

The process of job evaluation involves the following steps (Hall):

- ***Gaining acceptance:*** Before undertaking job evaluation, top management must explain the aims and uses of the programmes 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 the job is performed, the type of responsibilities to be shouldered, the 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.

12.4 ESSENTIALS FOR THE SUCCESS OF A JOB EVALUATION PROGRAMME

Following are the essentials for the success of a job evaluation programme (Wallace; Bradley; Treiman; Walker):

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

NOTES

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 programmes 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 programmes.
4. All groups and grades of employees should be covered by the job evaluation programme.
5. The programmes 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.

12.5 BENEFITS OF JOB EVALUATION

The payoffs from job evaluation are:

- 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.

NOTES

12.6 JOB EVALUATION METHODS

There are three basic methods of job evaluation: (*i*) ranking, (*ii*) classification, (*iii*) factor comparison. While many variations of these methods exist in practice, the three basic approaches are described here (Madigam; Collins; Belcher)

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.

e.g., Ranking of jobs in any department can be done as follow:

	Rank	Monthly Salaries (in INR)
1.	Accountant	3000
2.	Accounts Clerk	1800
3.	Purchase Assistant	1700
4.	Machine Operator	1400
5.	Typist	900
6.	Office boy	600

The variation in payment of salaries depends upon the nature of the job performed by the employees. Also the ranking shows the variation in type of job being performed.

The ranking method is simple to understand and practice and 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: This method places groups of jobs into predetermined job classes or job grades. Separate classes may include office, clerical, managerial, personnel, etc. Like in a typical Government office you find Class I, Class II, Class III and Class IV employees – thus put into specific compartments based on their qualifications and skill sets.

As per this method, a predetermined group of jobs are assigned to their classification.

Class	Rank	Employees
Class 1	Executive	Office manager, Deputy office manager, Office superintendent etc.
Class 2	Skilled Workers	Purchasing Assistant, Cashier, Receipts clerk etc.
Class 3	Semiskilled Workers	Stenotypists, Machine operators etc.
Class 4	Less skilled workers	Daftaris, File clerks, Office boys etc.

NOTES

Nature of the job performed by the employees. Also the class shows the variation in type of job being performed.

The job classification method is less subjective as 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: Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors. First we select a key job that represents most departments – say supervisor's job. Then we determine the job factors such as skill needed, responsibilities to be handled, working conditions, physical effort needed etc. These factors are then ***ranked according to importance*** and money values determined for each factor. When all cumulative values of all job factors are added, the worth of a job is arrived.

An Example of Factor Comparison Method

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	60	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)

Suppose the jon of a painter is founed 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.

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 is explained below.

(*a*) ***Select key jobs:*** Identify the factors common to all the identified jobs such as skill, effort, responsibility, etc.

NOTES

(*b*) Divide each major factor into a number of sub factors. Each sub factor is defined and expressed clearly in the order of importance, preferably along a scale – such as skill, education, mental effort, physical demands etc.

(*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.

(*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.

Point Method of Job Evaluation

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

Factors	Points Value for Degree					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 upon their importance to job = 150						

Point Range	Daily Wage Rate (₹)	Job Grade 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 of Point Method: 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

NOTES

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.

12.6.1 Computerised Job Evaluation

Quantitative job evaluation methods – such as the point or factor comparison plans – consume lot of time. Striking balance between compensable factors and the job's relative worth is also a tedious process. Determining each job's point values also would prove to be quite taxing. To overcome these difficulties, companies now a days use structured questionnaires (such as position analysis questionnaire or a task oriented questionnaire) – containing information on time spent, importance of various tasks, number of people reporting to a position-holder, pries of benchmark jobs, etc. – that are amenable for further statistical analysis. Standard computer programmes ensure a fair pricing – taking all relevant factors that have an impact on the job – in a mechanical manner (Fredric Crandall).

12.6.2 Comparative Analysis

A comparative picture of various job evaluation methods may be presented thus:

Major Evaluation Method: Comparative Study

Method	What fact of job is Evaluated	How is job Evaluated	Types of Methods	Major Advantage	Major Disadvantage
Ranking	Whole job (compensable factors are implicit)	Jobs are subjectively ordered according to relative worth	Non-quantitative	Relatively quick and expensive	Entirely subjective
Classification	Whole job	Compare job to descriptions	Non quantitative	Readily available and expensive	Combersome system
Factor comparison	Compensable factors of job	Compare job to key jobs on scale of compensable factors	Quantitative	Easy to use	Hard to construct; inaccurate over time
Point method	Compensable factors of job	Compare job to standardized description	Quantitative	Accurate and overtime	May be costly

12.7 LIMITATIONS OF JOB EVALUATION

NOTES

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.

12.8 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 rankling method, the classification method, the factor comparison method, and the point method.
- The job ranking method arranges jobs in numerical order on the basis of the importance of the job's duties and responsibilities to the organisation.
- The job classification system slots jobs into 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.

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.

NOTES

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. Job evaluation determines the worth of job and not that of the job-holder. Comment.
12. Considering all methods, why is the point method the most widely used for job evaluation?

CASE STUDY Job Evaluation Plan from the Trade Union Perspective

Mr. Rakesh Sharma, the General Manager of Hindustan Lever Ltd, asked Balraj Gupta, the Personnel Manager of the company to prepare a job evaluation plan in order to rate all the jobs and fix the wages and salaries. Gupta prepared the job evaluation plan based on points rating system separately for factory workers and for supervisory and office staff as given below:

A. Job Evaluation Plan for Factory Workers (all categories at all levels)

		Factors	Points (% to total)	
1.	Skill:	(a) Education	20	
		(b) Experience	15	
		(c) Initiative and Ingenuity	20	55
2.	Effort:	(a) Physical demands	5	
		(b) Mental-visual demands	5	10
3.	Responsibility:	(a) For equipment/process	5	
		(b) Material/product	5	
		(c) Safety of others	10	
		(d) Work of others	5	25
4.	Job conditions:	(a) Working conditions	5	
		(b) Hazards	5	10
		Total		100

B. Job Evaluation Plan for Supervisory and Office Staff:

	Factors	Points (% to total)
1.	Education	20
2.	Experience	20
3.	Complexity of duties	15
4.	Monetary responsibilities	30
5.	Contacts	10
6.	Working conditions	5
		100

NOTES

Gupta has submitted this plan to Rakesh Sharma. The General Manager invited the trade union leaders to his chamber to discuss and convey their acceptance to these plans before they are forwarded to line managers. The trade union leaders met Mr Sharma for this purpose.

Questions

1. How would you react to the two separate plans, if you are the President of the recognised trade union of the Hindustan Lever Ltd?
2. How would you react to the factors taken for consideration and points assigned to each factor in the capacity of the General-Secretary of the recognised trade union of the company?
3. Do you recommend any changes to the existing plan to make it acceptable to all members of your trade union?
4. Explain your reactions to the plans, factors and points and your recommendations to the modification of the plan keeping in view the best interests of the company, if you are the General Manager of Hindustan Lever Ltd.

13. Compensation and Methods of Wage Payment

STRUCTURE

13.1 INTRODUCTION

Employees receive compensation in the form of remuneration – monetary rewards as well as non-financial rewards – for services rendered. Compensation is an essential tool to motivate people to superior performance. Without getting paid adequately, employees would be unenthusiastic about putting their heart and soul into organisational work. They may not be inclined to give their best to the organisation. In most cases, compensation is an important issue affecting how and why employees choose to work at one organisation over others. To attract and retain talent, appropriate compensation plans must be put in place. At the same time, the organisation must keep the labour costs under control. It must keep the competitive pressures in mind while trying to go overboard while hiring people. It must balance each of these concerns while trying to keep its house in order.

13.2 DEFINITION

Compensation is what employees receive (financial as well as non-financial rewards) in exchange for their contribution to the organisation. Financial rewards include wages, bonuses, pension plans and paid leaves. Non-financial rewards help in making the job more attractive and are somewhat subjective in nature. Employees vary greatly on what types they find desirable. Compensation, it is to be noted here, includes both intrinsic as

NOTES

well as extrinsic rewards. Intrinsic rewards come from the job itself, such as pride in one's own work, praise, recognition and satisfaction coming out of a job well done. Extrinsic rewards come from a source outside the job, such as pay, promotions and benefits. Extrinsic rewards are tangible and take both monetary and non-monetary forms.

What is Meant by Compensation?

- Base pay or salary
- Variable pay in the form of incentives – such as bonus, commission and benefits

Intrinsic rewards

- Challenging job
- Satisfaction after doing a challenging job
- Praise
- Pride in work
- Recognition

Extrinsic rewards

- Pay
- Promotions
- Benefits

Direct compensation

- Rewards for work done – including base pay and variable pay

Indirect compensation

- Benefits offered to an employee – health insurance, vacation pay, pension, etc.

13.3 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 (the fixed portion of compensation based on time spent by employee is also known as base compensation).
- ***Variable pay:*** It is the compensation that is linked directly to performance accomplishments (bonuses, incentives, stock options) (the variable part of pay that consists of incentives that are dependent on employee performance is known as supplementary compensation).
- ***Benefits:*** These are indirect rewards given to an employee or group of employees as a part of organisational membership (such as health insurance, vacation pay and retirement pension).

The term 'compensation management' implies formulation and administration of policies relating to base compensation, variable pay and benefits offered to employees. The primary purpose of compensation management is to ensure an equitable pay structure based on employee performance and qualifications.

NOTES

CASE STUDY Designing a Compensation System: A Key Challenge?

Compensation affects the purchasing power of an employee. It is a clear indicator of his power and prestige in society and certainly influences his feelings of self-worth. In other words, compensation affects a person economically, sociologically and psychologically. Mishandling compensation issues could have a negative bearing on the firm's performance and may ultimately pave the way for employees leaving an organisation in frustration. If employees do not earn enough to meet their basic economic goals, they will seek employment elsewhere. Likewise, if they believe that their contributions are undervalued by the organisation, they may leave or exhibit poor work habits, low morale, and little commitment to the organisation. Designing an appropriate compensation system is clearly in the best interests of an organisation. At the same time, organisations cannot stretch themselves beyond a point. Obviously, their ability to pay is constrained by their ability to compete. (Milkovich 2005) Most Fortune 500 companies have gone in favour of pay- for- performance compensation plans to retain the competitive edge. The message, of course, is very clear. "We are willing to reward employee effort and performance and not vice versa." Some top executives have gone a step ahead to reinforce an egalitarian perspective by pegging their fortunes to those of employees. In some companies top executives have forfeited their bonuses in order to provide employees higher pay. To get the cream of the crop, companies like IBM, Microsoft, Starbucks's, Procter & Gamble, have long decided to pay above market for all employee groups. Companies that are trying to grow rapidly in a tight labour market, as the current trends suggest, are virtually compelled to pay above – market wages in order to attract and retain talent. *R. Livering and M. Moscowitz, "The 100 best companies to work for", Fortune, Jan 2005*).

13.4 OBJECTIVES

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.

The ultimate goal of any compensation programme is to attract, motivate and retain competent employees. They must perceive that the programme is fair and equitable and is in sync with their expectations and market practices. The programme must allow people to receive rewards that are in line with their contributions, skills and qualifications. Any mismatch will provoke passions and lead to industrial conflict. Employers, therefore, need to put a fair and equitable compensation policy in place.

13.5 IMPORTANCE

NOTES

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 a number of firms compete to hire the services of such 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 be commensurate with the nature 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.

13.6 THE WAGE DETERMINATION PROCESS

The process of determining wages involves a series of interrelated steps. Usually, it involves the following:

1. ***Job Evaluation:*** Job analysis offers valuable information for developing a compensation system in terms of what duties and responsibilities need to be carried out. The relative worth of a job is being ascertained through job evaluation. The worth of a job is then converted into monetary terms to fix the basic wage for the job.
2. ***Wage survey:*** Wage or salary surveys are conducted to find out wage/salary levels prevailing in the region or industry for similar jobs. The survey could cover all the jobs within an organisation or limited to only benchmark or simply key jobs that are used to anchor the company's pay scale and around which other jobs are plotted based on their relative importance and worth to the organisation.
3. ***The Wage curve:*** The wage curve explains the negative relationship between levels of unemployment and wages. To put it simply, it summarises why worker A who is unemployed in an area of high unemployment earns less than an identical individuals who works in an area of low unemployment. Generally speaking, the labour supply of each person is positively related to wages. The higher the hourly wages offered, the more hours a worker is willing to work. However, there is a limit to which a

worker is willing to sacrifice an hour of leisure or rest for an hour's worth of wages. Suppose a worker is willing to work for 8 hours a day and he expects the maximum hourly wage rate of ₹ 20 per hour in return. (₹ 160 per day) Any rate above ₹ 20 will increase the worker's daily wages without increasing the hours of work. If a company wants to buy more hours of work than 8 hours per day it needs to hire more workers. If the company is operating in a market where unemployment is high, it can easily get people who are willing to work for more than 8 hours a day at less than the prevailing/expected wage rate of ₹ 20 per hour. On the other hand, if the company operates in a market where unemployment is less, it is very hard to find people –

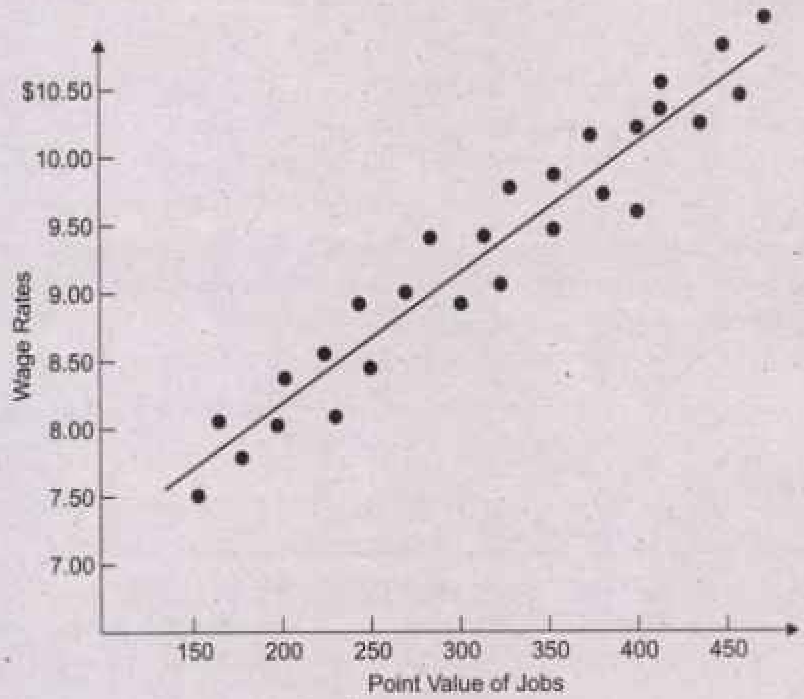


Fig. 13.1 Is drawn through a cluster of dots in such way as to leave roughly an equal number of dots above and below the curve. The wage curve can be relatively straight or curved. This curve can then be deployed to establish the relationship between the worth of a job and its wage rate at any given point on the line.

it needs to make the job offer more attractive by paying more than ₹ 20 per hour and also embellish the job with some tea breaks – thereby reducing the normal working hours that is 8 hours per day. In short – the lower unemployment is and the fewer the laborers there are available, the higher the wages. The contrary is true when the unemployment is high. This is the essence of the wage curve.

4. ***Pay Grades:*** In this step similar jobs are grouped into grades for establishing the pay plan. Instead of hundreds of pay rates, the organisation can work with 10 to 12 pay grades. A pay grade consists of jobs of approximately equal difficulty or importance as determined by job evaluation. Pay grades offer a framework for compensation by defining the amount of pay available for each job. The pay for each job is generally defined by the position and the length of time the employee remains on the job plus any extraneous demands made by the unions. The pay grades ensure smooth

NOTES

upwards movement in salary based on the service put in by an employee. Pay grades are used in public sector (and also in military, universities, public utilities, etc.) as well as private sector units to ensure fairness and similar pay structure across different positions within a variety of work units and job functions. Similar pay for similar work ensures that each work unit can attract and retain excellent employees.

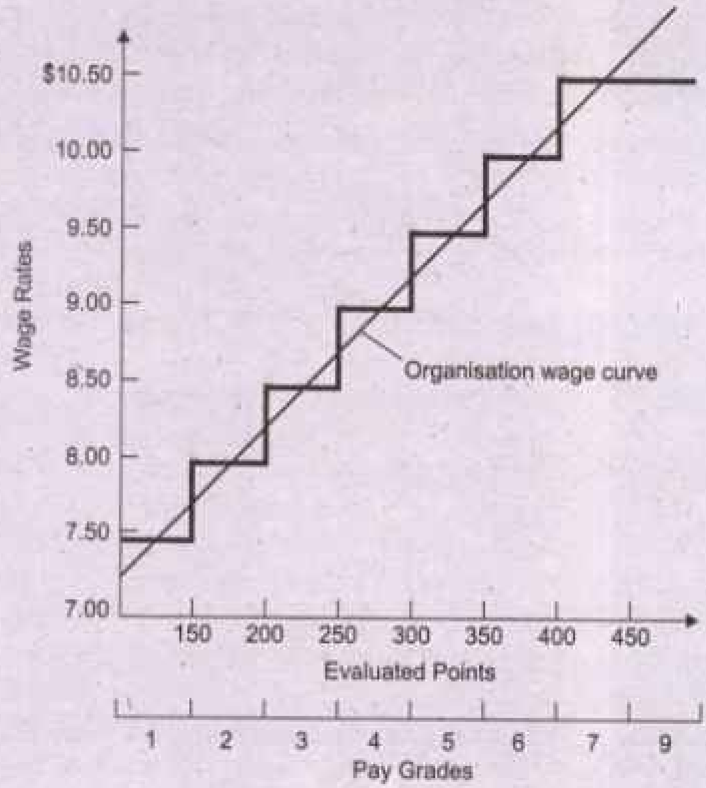


Fig. 13.2

5. ***Rate ranges:*** Rate or salary range is the range of pay that has been established to be paid to employees performing a particular job or function. Salary range generally has a minimum pay rate, a maximum pay rate, and a series of mid-range opportunities for pay increases. For example the scale of pay of a Delhi University teacher starts with ₹ 15,600 and stretches upto ₹ 39,100 with additional allowances in the form of DA, TA, HRA, Grade pay, etc. Rate range enables employees to receive increases upto the maximum rate for the range on the basis of merit or seniority or a combination of the two. The salary range is determined by market pay rates, established through market pay studies, for people doing similar work in similar industries in the same region of the country. Generally speaking, pay rates and salary ranges are established taking the level of education, knowledge, skill, and experience needed to perform each job. Organisations, sometimes, may decide to pay more than the maximum of the pay range when employees have exceptional merit or promotional opportunities are scarce. Wages paid above the maximum pay range are known as red circle rates (marked as solid circles).

NOTES

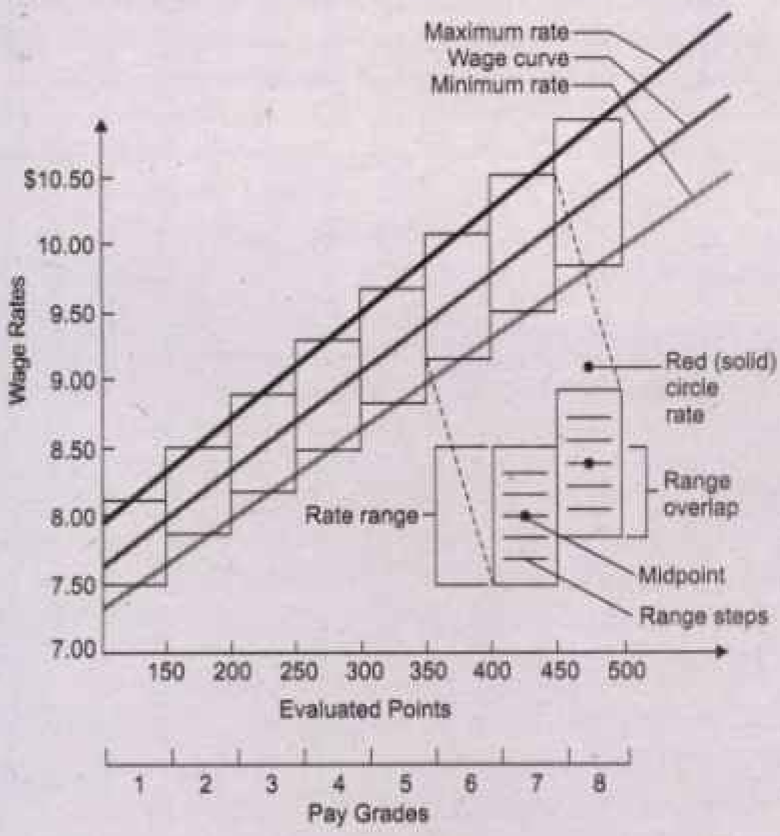


Fig. 13.3

13.7 METHODS OF WAGE PAYMENT

Generally speaking, there are two basic methods of wage payment. One method relates to the hours the employee is at work, regardless of his/her output (time rate system). The other method is related to the production or output, regardless of the time taken for production (piece rate system). The other methods or the incentive schemes are only a variation of the two, combined with time and piece rate systems which are discussed in the next chapter elaborately.

13.7.1 Time Wage Method

In this system, the worker is paid on the basis of time spent on the work, irrespective of the amount of work done. The basis of this time may be hour, day, week or month. This is the oldest system and is widely employed in those organisations where (*i*) quality of work is more important that the volume; (*ii*) measurement of work is not convenient (indirect labour); (*iii*) production involves delay and interruption due to uncontrollable factors; (*iv*) where the work requires a high degree of skill and dexterity; (*v*) where work is of such nature that efficiency can only be measured by close supervision.

An improvement over simple time wage system may be found in high wage plan. This system is similar to the above mentioned system, except that the time rate is high, higher

NOTES

than the time rate at ordinary level, in order to ensure a higher standard of performance, from skilled and efficient workers. Another improved version of time wage plan – known as guarantee time rate plan – where time rates are guaranteed which are generally adjusted to cost of living. Merit awards for personal qualities, skill, ability, punctuality, etc., are also considered. The employer compensates the high labour cost by increasing the price of the products. In any case, it is difficult to determine the wage index, though the scheme is acceptable to all.

13.7.2 Piece Rate Method

Under piece rate system, the workers are paid at a stipulated rate per piece or unit of output, regardless of the time taken for production. Here, speed is the basis of payment, instead of time. In this system, the rate is fixed per piece of work and the worker is paid according to the number of pieces completed or the volume of work done by him, irrespective of time taken by him in completing that work. This system recognises efficiency. It is applicable where (*a*) quality of work is not important, (*b*) work is of a repetitive nature, (*c*) job rate can be fixed satisfactorily, (*d*) there is sufficient demand for output to guarantee continuous work and (*e*) the job is a standardised one.

Types of Piece Rate System

The piece rate system can be classified infield into three categories: (*a*) straight piece rate (*b*) piece rates with guaranteed time rates and (*c*) differential piece rates.

- ***Straight piece rate:*** In this method, payment is made on the basis of a fixed amount per fixed units produced without regard to the time taken.
- ***Piece rate with guaranteed time rate:*** In this system, workers are paid minimum wages on the basis of time rates. A piece rate system with guaranteed time rate may include any one of the following (*i*) If earnings on this basis of piece rate is less than the guaranteed minimum wages, the workers will be paid on the basis of time rate. On the other hand, if earnings according to piece rate are more, the workers will get more. (*ii*) Guaranteed wages according to time rate plus a piece rate payment for units above a required minimum. (*iii*) Piece rate with a fixed dearness allowance or cost of living bonus.
- ***Differential piece rate:*** In this scheme, the rate per piece is increased, as the output level is increased. That is, there is more than one-piece rate system. In other words, the increase in rates may be proportionate to the increase in output. By this system, inefficient workers are encouraged to earn more. This system is suitable where: (*i*) The work is of repetitive nature (*ii*) the output can be identified with individual workers.

13.8 SUMMARY

- Compensation Management aims 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, and demand and supply of labour, degree of unionisation.
- 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.
- Basically, there are two methods of wage payment. Under the time wage system, the worker is paid on the basis of time spent on the work irrespective of the amount of work done. The basis of this time may be hour, day, week or month Under piece rate system; the workers are paid at a stipulated rate per piece or unit of output. Here, speed is the basis of payment, instead of time.

Review Questions

1. What is pay structure? How is it designed?
2. What are the factors influencing wage structure?
3. Write notes on:
   (*a*) The wage curve
   (*b*) Time wage method
   (*c*) Piece wage method
4. Explain the various methods of fixing wages and salaries in an organisation.

NOTES

14. Incentives and Benefits

STRUCTURE

14.1 INTRODUCTION

An 'incentive' or 'reward' can be anything that attracts an employee's attention and motivate him to work with zeal, enthusiasm and commitment. Incentives are meant to stimulate effort and secure superior performance from employees. Financial as well as non financial gains could greet employees for going the extra mile and meeting targets. Incentives have a magnetic power to spur people to superior performance. They help a firm attract and retain talent. They offer a wonderful opportunity to employees to work hard and get ahead in their careers. They help people to exploit their potential fully and work with zeal, enthusiasm and commitment.

14.2 INCENTIVE PLANS

Viewed broadly incentives offered to workers include the following:

Types of Incentive Plans

- Individual Incentives: Offered to reward the effort and performance of individuals.
- Group Incentives: Group or team incentive plans reward team members with an incentive bonus when agreed upon standards are met or exceeded.
- Organisation wide Incentives: Organisation incentives reward people for the performance of the entire organisation [*such as profit sharing, employee stock options etc.*]

NOTES

14.2.1 Features of Incentive Plans

The characteristics of these plans are as follows:

1. ***Guaranteed wages based on time:*** Minimum wages are guaranteed to all workers, based on time basis. A standard time is fixed and each worker is expected to carry out assigned work within the standard time.
2. ***Rewards for superior performance:*** Incentives by way of bonus, etc., are offered to efficient workers for the time saved.
3. ***Benefits to both employee and employer:*** Under Incentive Plans, the employer as well as the employee share the benefit of time saved. The various incentive plans seek to offer benefits to both workers and employers, as they result in higher wages, lower labour turnover and better industrial relations and morale.

14.3 (PERFORMANCE-BASED) INCENTIVE COMPENSATION

The following are the more important incentive plans of wage payment.

Types of Incentives

Individual Incentives Based on Time Rate or Piece Rate	Bonus and Performance Based Incentives	Group and Organisation wide Incentives
• Taylor • Merrick • Halsey • Rowan • Gantt task and Bonus plan • Bedeaux plan • Haynes Manit plan • Emerson's efficiency plan etc.	• A bonus is an incentive payment that is given to an employee beyond one's normal standard wage. It is generally given at the end of the year and does not become part of base pay. (Explained in the previous chapter)	• Priestman • Rucker • Scanlon • Towne • Co-partnership • Profit sharing • Gain sharing • Employee Stock Ownership plan

14.4 INDIVIDUAL INCENTIVES

Individual incentive plans are the most widely used pay for performance plans in industry. These pay plans attempt to relate individual effort to pay. Popular approaches include the following:

1 ***Taylor's Differential Piece Rate System:*** F.W. Taylor, the father of Scientific Management, originated this system. The main features of this plan are: 910 There shall be two piece work rates, one is lower and the other is higher. 9110 The standard of efficiency is determined either in terms of time or output based on time and

NOTES

motion study. If a worker finishes work within standard time (or produces more than standard output within time) he will be given high piece rate. This system penalises the slow worker by paying low rate because of low production, rewards an efficient worker by giving him high rate because of higher production. Indirectly, this system gives no place to inefficient work. In other words, if the output of a worker is less than the standard output, he is paid a low rate and vice versa.

2 ***Merrick's Differential Piece Rate System:*** We have seen that in Taylor's Method, the effect on the wages is quite severe in the marginal cases. To remove this defect, Merrick came out with a Multiple Piece Rate System. There are three piece rates under this scheme instead of two, and workers producing below the standard output are not penalised by the low piece rate. Since the earnings increase with increased efficiency, performance above the standard will be rewarded by more than one higher differential piece rate. The basic features of this scheme are: (a) upto 83% of the standard output workers are paid at the ordinary piece rate (b) 83% to 100% at 110% of the ordinary piece rate, and (c) above 100% at 120% of the ordinary piece rate.

3 ***Halsey Plan:*** This plan, originated by F.A. Halsey guarantees minimum wages for all workers. A standard time is fixed for the completion of a job. If a worker completes the job before the allowed time, he will get a bonus of 50 per cent of time saved at time rate in addition to normal wages. Slow workers, however, are not penalized. They continue to get time wages. Suppose the standard time is 12 hours and a worker takes 8 hours to complete a job and the hourly rate is ₹ 10. Wages would be 8 hours X 10 plus bonus (that is wages for 50 per cent of time saved 4 hours X 10 divided by 2 = 20) = ₹ 100.

4. ***Rowan Plan:*** This plan was introduced by D. Rowan in 1901. It guarantees minimum wages to all workers. A standard time is fixed for completing a job and bonus is paid on the basis of time saved by a worker. Bonus, however, is calculated on that portion of time taken which the time saved bears to the standard time. (Bonus = Time taken X Rate X time saved/standard time) Suppose the standard time is 12 hours and a worker takes 8 hours to complete a job and the hourly rate is ₹ 10 Wages would be 8 hours X 10 plus bonus which is based on the above formula that is 8 X 10 X 4 hours time saved divided by 12 = ₹ 106.67.

5. ***Gantt Task and Bonus Plan:*** This plan combines time, piece and bonus systems. The main features of this plan are:

   - Day wages are guaranteed.
   - Standard time for task is fixed and both time wages as well as a high rate per piece are determined.
   - A worker who cannot finish the work within the standard time is paid on time basis.
   - If a worker reaches the standard, he will be paid time wage plus a bonus at fixed percentage (20%) of normal time wage.
   - If the worker exceeds the standards, he is paid a higher piece rate.

6. ***Bedeaux Plan:*** Under this plan, every operation or job is expressed in terms of so many standard minutes, which are called 'Bedeaux points' or "B's", each B representing one minute through time and motion study. Upto 100% performance, i.e., upto standard B's, a worker is paid time wages without any premium for efficiency. If the actual performance exceeds the standard performance in terms of B's, then 75% of the wages of the time saved is paid to the worker as bonus and 25% is earned by the foremen. For example, if the standard time is 10 hours actual time taken is 8 hours and rate per hour Re.1, the worker will get: = 8 hours at ₹ 1 + 75% of 120 (points saved) × 1/60= ₹ 9.50.
7. ***Haynes Manit Plan:*** This plan is just like the above plan, i.e., the Bedeaux plan with the difference that:
   - The standard is fixed in terms of standard minute known as 'Manit', instead of Bedeaux. Manit stands for man-minute.
   - The bonus is only 50% as against 75% of the Bedeaux plan. Of the remaining 50%, 10% bonus is paid to supervisors and 40% is retained by the employers.
8. ***Emerson's Efficiency Plan:*** Under this plan, when the efficiency of the worker reaches 67% he gets bonus at the given rate. The rate of bonus increases gradually from 67% to 100% efficiency. Above 100% bonus will be at 20% of the basic rate plus 1% for each 1% increase in efficiency.

14.5 PERFORMANCE BASED INCENTIVES

Here, employees are paid on the basis of performance. In the case of Merit pay, the incentive is based on individual performance. Performance evaluation process, in this case, is subjective and is usually done by a superior. In some organisations, employees receive a single lump sum payment at the time of performance review. Employees whose performance exceeds the established standards are usually the ones that get the lump sum payment at the end of the financial year. Such lump sum payments granted annually have a different name in India – known as bonus. Bonus is a sum of money that is added to a person's wages as a reward for good performance.

14.6 GROUP/TEAM-BASED INCENTIVE PLANS

Team based incentive plans reward all team members equally based on overall performance of the team members. Some of the important team-based incentive plans may be listed as follows:

(*a*) ***Preistman's production bonus:*** Under this system, a standard is fixed in terms of units or points. If actual output, measured similarly, exceeds the standard, the workers will receive bonus in proportion to the increase. Therefore, this system can operate in a factory where there is mass production of a standard product with little or no bottleneck.

NOTES

(b) ***Rucker plan:*** In this plan, employees receive a constant proportion of the 'added value'. The term 'added value' means the change in market value resulting from an alteration in the form, location or availability of a product or service, excluding the cost of bought-out materials or services. In this plan, ratio between earnings and 'added value' is ascertained and any reduction to the ratio of earnings to added value will, result in proportionate bonus payment. This plan presupposes a great deal of consultation between management and workers so that the effort could be made more effective.

(c) ***Scanlon plan:*** Under this plan, constant proportion (*i.e.*, ratio of wages to sales value) of the added value of output is paid to the workers who are responsible for the addition of the value. The added value is the change in market value (including profit) resulting from an alteration in the form, location or availability of product service, excluding the cost of purchased materials or services used in production.

(d) ***Towne plan:*** The main objective of this plan is to bring about cost reduction by foremen and workers. However, bonus is paid upon a reduction in labour cost alone. A standard labour cost per unit for a particular period is determined and if actual labour cost per unit is less than the standard labour cost, 50% of the saving in labour cost is distributed among workers and foremen in proportion to their wages.

(e) ***Co-partnership:*** In this system, the worker gets his usual wages, a share in the profits of the company and a share in the management of the company as well. Thus, employees share the capital as well as profits. When co-partnership operates with profit sharing the employees are allowed to leave their bonus with the company as shares (bonus shares). This system is an improvement over all other systems of wage payment in that it implies both profit sharing and control sharing. It also offers recognition of the claim of the dignity of labour as the worker is viewed as partner in the business. This would, in turn, create a sense of belongingness among workers and stimulate them to contribute their best for the continued prosperity of the company.

14.7 ORGANISATION-WIDE INCENTIVE PLANS

Organisation wide incentive plans reward employees on the basis of the success of the organisation over a specified time period. These plans seek to promote a 'culture of ownership' by developing a sense of belongingness, cooperation and teamwork among all employees. There are three basic types of organisation-wide incentive plans: profit sharing, gain sharing and employee stock ownership plans

(a) ***Profit sharing:*** Profit sharing is a scheme whereby employers undertake to pay a particular portion of net profits to their employees on compliance with certain service conditions and qualifications. The purpose of introducing profit sharing schemes has been mainly to strengthen the loyalty of employees to the firm by offering them an annual bonus (over and above normal wages) provided they are on the service rolls of the firm for a definite period. The share of profit of the worker may be given in

NOTES

cash or in the form of shares in the company. These shares are called bonus shares. In India, the share of the worker is governed by the Payment of Bonus Act.

(*b*) ***Gain sharing:*** A gain sharing plan aims at increasing productivity or decreasing labour costs and sharing the resultant gains (usually a lump sum payment) with employees. It is based on a mathematical formula that compares a baseline of performance with actual productivity during a given period. When productivity exceeds the base line an agreed-upon savings is shared with employees. Gain sharing is built around the idea that involved employees will improve productivity through more effective use of organisational resources.

Evaluation: Unlike profit sharing plans which have deferred payments, gain sharing plans are current distribution plans. They are directly related to individual behaviour and are distributed on a monthly or quarterly basis. Gain sharing plans tend to increase the level of cooperation across workers and teams by giving them a common goal. Managers are not required to base their calculations on complex mathematical formulae, nor they are required to closely look into the specific contributions of individuals or independent teams. It is easier for both, to formulate bonus calculations and to achieve employee acceptance of those plans. Gain sharing plans, however, protect low performers. Where rewards are spread across a large number of employees, poor performers may get rewards for non performance at the cost of the bright performers. Gain sharing plans may fail due to other reasons as well: poorly designed bonus formulae, lack of management support for employees' participation, increasing cost factors that undermine the bonus formula, poor communication, lack of trust, and apathy on the part of employees.

(*c*) ***Employees stock ownership plans:*** Employee stock ownership plans originated in the USA in early 1990s. Such plans have did not gain popularity in India till recently, due to the absence of legal provisions in the Companies Act covering stock options. However, in 1988, the government has allowed stock options to software professionals, recognising the importance of retaining talent within the country. Under employee stock option plan, the eligible employees are allotted company's shares below the market price. The term "stock option" implies the right of an eligible employee to purchase a certain amount of stock in future at an agreed price. The eligibility criteria may include length of service, contribution to the department/division where the employee works, etc. The company may even permit employees to pay the price of the stock allotted to them in installments or even advance money to be recovered from their salary every month. The allotted shares are generally held in trust and transferred to the name of the employee whenever he or she decides to exercise the option. The stock option empowers the employee to participate in the growth of the company as a part owner. It also helps the company to retain talented employees and make them more committed to the job.

Employees' sharing the platform with owners, evidently, can be a disadvantage because they may feel 'forced' to join, thus placing their financial future at great risk (e.g., employees who opted for ESOPs during the software boom in the late 90s have suffered huge losses when stock prices crashed subsequently). Another drawback is that ESOps could be used by managements to fend off unfriendly takeover attempts. Holders of stock options often align with management to turn down bids that

NOTES

would benefit outside shareholders but would replace management and restructure operations. Surely, ESOPs are not meant to entrench inefficient management. Despite these disadvantages, ESOPs have grown in popularity in recent times.

14.8 FRINGE BENEFITS

The term 'fringe benefits' refers to the extra benefits provided to employees in addition to the normal compensation paid in the form of wage or salary. Many years ago, benefits and services were labeled 'fringe' benefits because they were relatively insignificant or fringe components of compensation. However, the situation now is different, as these have, more or less, become important components of a comprehensive compensation package offered by employers to employees.

Features of Fringe Benefits

- They are supplementary forms of compensation.
- They are paid to all employees (unlike incentives which are paid to specific employees whose work is above standard) based on their membership in the organisation.
- They are indirect compensation because they are usually extended as a condition of employment and are not directly related to performance.
- They help raise the living conditions of employees.
- They may be statutory or voluntary. Provident find is a statutory benefit whereas transport is a voluntary benefit.

14.8.1 Need for Fringe Benefits

Most organisations in India have been extending fringe benefits to their employees, year after year, due to the following reasons:

(*a*) ***Employee demands:*** Employees demand more and varied types of fringe benefits rather than pay hike because of reduction in tax burden on the part of employees and in view of the galloping price index and cost of living.

(*b*) ***Trade union demands:*** Trade unions compete with each other for getting more and newer varieties of fringe benefits to their members. If one union succeeds in getting one benefit, the other union persuades management to provide a new one. Thus, the competition among trade unions within an organisation results in more and varied benefits.

(*c*) ***Employer's preference:*** Employers also prefer fringe benefits to pay-hike, as fringe benefits motivate employees to give their best to the organisation. It improves morale and works as an effective advertisement.

(*d*) ***As a social security:*** Social security is a security that society furnishes through appropriate organisation against certain risks to which its members are exposed. These risks are contingencies of life like accidents and occupational diseases. Employer has to provide various benefits like safety measures, compensation in case of involvement

NOTES

of workers in accidents, medical facilities, etc., with a view to providing security to his employees against various contingencies.

(*e*) ***To improve human relations:*** Human relations are maintained when the employees are satisfied economically, socially and psychologically. Fringe benefits satisfy the worker's economic, social and psychological needs. Consumer stores, credit facilities, canteen, recreational facilities, etc., satisfy the worker's social needs, whereas retirement benefits satisfy some of the psychological problems about post-retirement life. However, most of the benefits minimize economic problems of the employee.

14.8.2 Objectives of Fringe Benefits

The important objectives of fringe benefits are:

- To create and improve sound industrial relations.
- To motivate the employees by identifying and satisfying their unsatisfied needs.
- To provide security to the employees against social risks like old age benefits and maternity benefits.
- To protect the health of the employees and to provide safety to the employees against accidents.
- To promote employees' welfare.
- To create a sense of belongingness among employees and to retain them. Hence, fringe benefits are called golden handcuffs.
- To meet the requirements of various legislations relating to fringe benefits.

14.8.3 Types of Fringe Benefits

The fringe benefits offered by various organisations in India may be broadly classified into five categories. These are discussed.

Types of Fringe Benefits

Payment for time not worked	Employee security benefits	Safety and health related benefits	Welfare/recreational benefits	Old age and retirement benefits
• Hours of work • Paid holidays • Shift premium • Holiday pay • Paid vacation	• Employee retrenchment compensation • Employee layoff compensation	• Safety measures • Workmen's compensation • Health benefits	• Canteens • Consumer societies • Credit societies • Housing • Legal aid • Employee counselling • Holiday homes • Educational benefits • Transportation • Parties & picnic • Miscellaneous	• Provident fund • Pension • Deposit-linked insurance • Gratuity • Medical Benefits

14.8.4 Payment for Time not Worked

This category includes: (*a*) hours of work, (*b*) paid holidays, (*c*) shift premium, (*d*) holiday pay and (*e*) paid vacation.

NOTES

- ***Hours of work:*** Section 51 of the Factories Act, 1948, specifies that no adult worker shall be required to work in a factory for more than 48 hours in any week. Section 54 of the Act restricts the working hours to 9 hours on any day. Any worker working beyond the specified number of hours will be paid overtime (twice the ordinary rate of wages).
- ***Paid holidays:*** According to the Factories Act, each worker who has worked for at least 240 days in a year, is entitled to have annual/earned leave of 12 days. An adult worker is entitled to one day of earned leave for every 20 days of service while a child worker under the age of 15 is entitled to one day of earned leave for evry 15 days of service.
- ***Shift premium:*** Companies operating second and third shifts, pay a premium to the workers who are required to work during the odd hour's shift. According to the Factories Act, night shift is a shift which extends beyond midnight. However, there is no special pay premium for employees working over night.
- ***Holiday pay:*** Generally, organisations offer double the normal rate of the salary to workers who work during holidays.
- ***Paid vacation:*** Adult Workers who have put in 240 days of work in a year can claim one day for every 20 days (one day for every 15 days of work put in by child workers-under the age of 15).

14.8.5 Employee Security

When an employee gets confirmed in service, he feels secure and becomes eligible for other benefits as well—as listed below:

- ***Retrenchment compensation:*** The Industrial Disputes Act, 1947, provides for the payment of compensation in case of layoff and retrenchment. The non-seasonal industrial establishments employing 50 or more workers have to give one month's notice or one month's wages to all the workers who are retrenched after one year's continuous service. The compensation is paid at the rate of 15 days wage for every completed year of service (or any part thereof in excess of 6 months) with a maximum of 45 days wage in a year. Workers are eligible for compensation as stated above even in case of closing down of undertakings. It is also worth mentioning here that under The Payment of Gratuity Act 1972, a worker is entitled to a gratuity payment upon termination of his service after five years of continuous employment.
- ***Layoff compensation:*** In case of layoff, employees are entitled to layoff compensation at the rate equal to 50 per cent of the total of the basic wage and dearness allowance for the period of their layoff except for weekly holidays. Layoff compensation can normally be paid up to 45 days in a year. Before laying off workers, a three month notice has to be given. The Employee's Compensation (Amendment) Bill,

2006 (accepted by Parliament in August 2016) empowers each worker to receive compensation from the employer as a matter of right.

However, firms employing up to 300 workers would be permitted to layoff workers without any prior approval from the Government (earlier requirement) w.e.f 2915.

NOTES

14.8.6 Safety and Health

In India, the Factories Act, 1948, stipulated certain requirements regarding working conditions with a view to providing a safe working environment. These provisions relate to cleanliness, disposal of waste and effluents, ventilation and temperature, dust and fumes, artificial humidification, overcrowding, lighting, drinking water, latrine, urinals and spittoons. Provisions relating to safety measures include fencing of machinery, work on or near machinery in motion, employment of young people on dangerous machines, striking gear and devices for cutting off power, self-acting machines, casing of new machinery, prohibition of employment of women and children near cotton openers, hoists and lifts, lifting machines, chains, ropes and lifting tackles, revolving machinery, pressure plant, floors, excessive weight, protection of eyes, precautions against dangerous fumes, explosive or inflammable dust, gas, etc. Precautions in case of fire, power to require specifications of defective parts or test of stability, safety of buildings and machinery, etc.

14.8.7 Workmen's Compensation

In addition to safety and health measures, provision for the payment of compensation has also been made under Workmen's Compensation Act, 1923 (amended & now known as **The Employee's Compensation Amendment Act 2009**). The Act is intended to meet the contingency of invalidity and death of a worker due to an employment injury or an occupational disease specified under the Act at the sole responsibility of the employer. Under the Act covers the amount of compensation depends on the nature of injury and monthly wages of the employee. Dependants of the employee are eligible for compensation in case of death of the employee. The Act is applicable to women employees also. The minimum payable compensation has been raised to ₹ 1,20,000 and ₹ 1,40,000 in case of death and permanent total disability respectively. The Act is equally applicable to women employees too. Recently the monthly wage ceiling limit has been increased to ₹ 8000 for calculating the compensation payable to injured employee. The definition of workmen is being replaced by the word 'employee' and now includes clerical employees also.

14.8.8 Health Benefits

Employees are eligible to get the following health care benefits, according to the Employees State Insurance Act, 1948 – which has been amended in 2010. (ESI Amendment Act, 2010) The Act now covers employees working in small factories, establishments & non-organised sector(including VRS employees, apprentices, trainees and even part time employees). This Act is applicable to all factories, establishments running with power and employing 20 or more workers whose wages do not exceed ₹ 10,000 per month.

NOTES

(i) ***Sickness benefit:*** In case of sickness employees are entitled to 70 per cent of the average daily wage. The benefit is paid for up to 91 days in any two consecutive designated 6 month periods.

(ii) ***Maternity benefit:*** Insured women employees are entitled to maternity leave for 12 weeks. Sickness arising out of pregnancy, confinement, premature birth etc entitles the affected employee to avail one month leave. If the women in question were to die, leaving a child behind, maternity benefit is payable to the nominee. Maternity benefit rate is 100% of average daily wages.

(iii) ***Disablement benefit:*** Insured employees, who are disabled temporarily or permanently (partial or total)—80% wages payable in both cases – due to employment injury and/or occupational diseases are entitled to get cash benefit under this head.

(iv) ***Dependant's benefit:*** If an insured person dies as a result of an employment injury sustained as an employee, his dependants who are entitled to compensation under the Act, shall be entitled to periodical payments referred to as dependant's benefit (90% of wages payable in the form of monthly payment to dependents).

(v) ***Medical benefit:*** Full medical care is provided to an insured person and his family members from the day he enters insurable employment. There is no ceiling on expenditure on the treatment of an insured person or his family member. Medical care is also provided to retired and permanently disabled insured persons and their spouses on payment of a token annual premium of ₹ 120.

14.9 SUMMARY

- The system of wage payment is an important issue between labour and management. Employees could be paid either on the basis of time spent or contributions made by them. To motivate employees further, monetary incentives could also be given using different bases.
- Incentive plans, to be useful, should be simple, equitable, economical and motivating.
- Three types of incentives are generally put to use: individual incentives, group incentives and organisation-wide incentives.
- The extra benefits provided to employees in addition to the normal compensation paid in the form of wage or salary are known as fringe benefits.
- Fringe benefits, over the years, have become an inevitable portion of wages paid to workers due to pressures from employees and trade unions.
- A wide variety of fringe benefits are offered to employees in India. Many of these benefits are guaranteed to workers under various pieces of labour legislation as well.

Review Questions

NOTES

1. What do you mean by Incentive Plans? Outline the essentials of an incentive plan?
2. Discuss the pros and cons of incentive plans.
3. Write short notes on:

   (*a*) Halsey Plan (*b*) Rowan Plan (*c*) Bonus (*d*) Features of incentive plans
4. Describe situations in which team incentive plans are likely to be successful.
5. What do you mean by 'fringe benefits'? Explain the need for fringe benefits. Describe the various types of fringe benefits offered to employees in India.

UNIT - V: MAINTENANCE: EMPLOYEE HEALTH AND SAFETY

15. Employee Welfare and Social Security

STRUCTURE

15.1 INTRODUCTION

Employee or labour welfare is a comprehensive term that includes various services, benefits and facilities offered to employees by the employer. Through such generous fringe benefits, the employer helps improve the life of employees. The welfare amenities are extended in addition to normal wages and other economic rewards available to employees as per the legal provisions. 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.

15.1.1 Features

The important features of "labour welfare" may be listed thus:

- ***Improving living standards:*** Labour welfare work is undertaken by the employer to improve the standards of living of workers.

NOTES

- ***Essential obligation of employer:*** The work generally includes those items of welfare which are over and above what the employees expect as a result of the contract of service from the employers.
- ***Improve all round growth of employee:*** The purpose of providing welfare amenities is to bring about development of the whole personality of the worker – his social, psychological, economic, moral, cultural and intellectual development.
- ***Going beyond the rule book:*** Welfare work is something which goes beyond the rule book – not always mandated by law and undertaken by progressively minded employers.

It may be noted that not only intra-mural but also extra-mural, statutory as well as non-statutory activities, undertaken by any of the three agencies – the employers, trade unions or the government – for the physical and mental development of the worker.

15.1.2 Importance

Labour welfare work is undertaken primarily to meet the following purposes:

- ***Enjoy life:*** Welfare amenities are meant to enrich the lives of workers.
- ***Raise living standards:*** Welfare facilities aim at raising living standards of workers. Welfare measures will improve the physical and psychological health of employees, which in turn, will enhance their efficiency and productivity.
- ***Cushion to absorb shocks:*** Welfare work helps workers cope with the challenges brought in by growing urbanisation and industrialization.
- ***Loyal and committed workforce:*** Welfare facilities promote a sense of belonging among workers, preventing them from resorting to unhealthy practices like absenteeism, labour turnover and strikes. Welfare work makes the service in mills more attractive to workers.
- ***Healthy work climate:*** 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.
- ***Deterrent against social evils:*** Welfare amenities prevent social evils like drinking, gambling and violence by improving the material, social and cultural conditions at work. Congenial environment as a result of welfare measures will act as a deterrent against such social evils.

15.2 AGENCIES FOR WELFARE WORK

Several agencies involved in carrying out labour welfare work in India:

- ***Central government:*** The Central government has put in place various Acts covering the safety, health and welfare of workers. The various pieces of labour legislation

NOTES

(such as Factories Act, ESI Act, Mines Act, Shipping Act etc) provide for canteens, crèches, restrooms, washing facilities, welfare funds for housing needs etc.

- ***State governments:*** Governments in different states and union territories offer welfare facilities to workers, including health care, transportation and safety.
- ***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 and RCF 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, crèches, canteens, schools are also set up by TISCO for the benefit of workers.
- ***Trade unions:*** The contribution of trade unions in India towards labour welfare activities is not significant. Some labour organisations – like the Ahmedabad Textile Labour Association, Mazdoor Sabha of Kanpur, and Railwaymen's Union, however, have provided welfare facilities to workers such as running schools, libraries, sports centres, cooperative stores, recreation and cultural centres, legal cells and labour journals.
- ***Other agencies:*** Social service organisations such as the Bombay Social Service League, Seva Sadan Societies of Bombay, Women's Institute in West Bengal, Assam Seva Samity and YMCA 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 law has also not been strictly enforced 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 unutilized 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.

15.3 TYPES OF WELFARE FACILITIES

Welfare services may broadly be classified into two categories: (*i*) intramural activities, which are provided within the establishment and (*ii*) extramural activities, which are undertaken outside the establishment.

NOTES

Intramural and Extramural Welfare Activities

Intramural	Extramural
• Drinking water	• Housing
• Toilets	• Education
• Crèches	• Maternity
• Washing and bathing facilities	• Transportation
• Rest shelters	• Sports
• Uniform and protective clothing	• Leave travel
• Recreation facilities	• Vocational training
• Canteens	• Holiday homes
• Subsidized food	• Cooperative stores
• Medical aid	• Fair price 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:

15.3.1 Education

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 meetings the cost of books and annual fee on a voluntary basis. There is no statuary obligation in respect of education for workers' children in any industry except in plantations. As things stand now, the Central Workers Education Board—with a view to promoting literacy among industrial workers – conducts classes for industrial workers.

15.3.2 Housing

Housing is the primary need of a workers' family. Without a roof to cover his head, the worker naturally feels frustrated about his poor standard of living in big cities. Good housing helps provide comfort, happiness and health; poor housing spells squalour, drink, diseases, immorality and crime. Recognising the need for proper accommodation, an Industrial Housing Scheme was introduced in 1952, under which 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) were introduced to reduce the housing shortage for workers. The government had also introduced housing schemes for miners and plantation workers in the early 1950s. Housing schemes for dock workers was introduced in 1964. The progress of industrial housing schemes has so far been quite slow due to various reasons: non-utilisation of allocated funds, non-availability of development land in urban areas, high cost of building materials and low capacity of workers to pay even the subsidised rent. Employers too have not evinced keen interest in supporting the cause.

NOTES

15.3.3 Transportation

The Committee on Labour Welfare, 1969, recommended the provision of transport facilities to workers so that they could reach the workplace punctually and comfortably. Most employers have recognized 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.

15.3.4 Recreation

Though there is no statutory stipulation in this area, progressive employers both in the public and private sector offer facilities for recreation, sports and cultural activities (such as gym, food courts, sporting facilities, jogging tracks, health and wellness centres, ATMs, gift shops, holiday packages, dating allowances and birthday gifts.

15.3.5 Other Facilities

Apart from the above, there are other facilities intended to improve the comfort level of workers while at work:

- ***Canteen, restrooms and lunchroom:*** Canteens established inside factories generally offer food at subsidized rates. In modern organisations, food courts offering a variety of cuisine have become quite popular in recent times.
- ***Medicel 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:*** Consumer cooperative stores in large organisations offer essential items at fair prices for workers. In most cases, employers have come forward to extend help in the form of working capital, loans at concessional rates.

15.4 LABOUR WELFARE OFFICER

The various pieces of labour legislation require an employer (employing more than 500 persons) to appoint a Labour Welfare Officer to improve labour administration in factories. Broadly, the duties and responsibilities of Labour Welfare Officers may be listed thus:

- ***Advisory:*** He advises and suggests the formulation of company labour policies; promote training programmes, promote welfare schemes; secure housing, recreational and educational facilities for workers.
- ***Service oriented:*** He helps 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 offers help to management by making workers understand various problems.

NOTES

- ***Supervisory:*** He supervises, inspects and regulates welfare, health and safety programmes, working of joint committees and paid vacations.
- ***Functional:*** He oversees the implementation of labour laws for the benefit of workers.
- ***Policing:*** He forwards workers' grievances to management, influences industrial relations climate when disputes arise, and restrains workers and management from resorting to illegal strikes and lockouts.
- ***Mediation:*** He mediates and builds harmony between labour and management, secures speedy redressal of workers' grievances, settles disputes through persuasive efforts, maintains a neutral stance during strikes and lockouts and thereby helps in resolving troubling issues peacefully.

15.5 LABOUR WELFARE FUNDS

- The Ministry of Labour is administering five welfare funds for beedi, cine and certain categories of non coal mine workers. The funds have been and set up under the following Acts of Parliament:
    1. The mica mines Labour Welfare Fund Act, 1946.
    2. The Limestone and Dolomite Mines Labour Welfare Fund Act.
    3. The Iron Ore, Manganese Ore and Chrome Ore Mines Labour Welfare Fund Act 1976.
    4. The Beedi Workers' Welfare Fund Act, 1976
    5. The Cine Workers Welfare Fund Act, 1981
- The fund created by these acts, is used by the Central Government for the Welfare of Workers under these occupations.

15.6 SOCIAL SECURITY

Social security is the protection given by society to its members against contingencies of modern life such as sickness, unemployment, old age, invalidity and industrial accidents. 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.

15.6.1 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.

NOTES

- ***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.

15.6.2 Types of Social Security Benefits

Social security benefits are provided in two major ways in India:

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 and 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 provident fund and group insurance are offered on the basis of the contribution record of the beneficiary.

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 the public. Workers and employers do not contribute to such benefits in any manner. Benefits such as old age pension are granted as a matter of right; they are provided free of cost, provided certain conditions are satisfied.

15.7 SOCIAL SECURITY IN INDIA

The following benefits are commonly provided in India under the umbrella of social security schemes:

- 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 states: "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." Social security benefits are offered to workers through various pieces of labour legislation. The main provisions of these Acts are summarized below.

15.7.1 Workmen's Compensation Act, 1923 (Now called the Employee's Compensation Amendment Act, 2009)

The Act covers all workers employed in factories, mines, plantations, transportation, construction works, railways, ships and certain other hazardous occupations. The commissions appointed by various state governments oversee the implementation of the provisions of the Act. 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 Act is intended to meet the contingency of invalidity and death of a worker due to an employment injury or an occupational disease specified under the Act at the sole responsibility of the employer. Under the Act covers the amount of compensation depends on the nature of injury and monthly wages of the employee. Dependants of the employee are eligible for compensation in case of death of the employee. The Act is applicable to women employees also. The minimum payable compensation has been raised to ₹ 1,20,000 and ₹ 1,40,000 in case of death and permanent total disability respectively. The Act is equally applicable to women employees too. Recently the monthly wage ceiling limit has been increased to ₹ 8000 for calculating the compensation payable to injured employee. The definition of workmen is being replaced by the word 'employee' and now includes clerical employees also. Unless employers are able to insure liabilities arising out of employee accidents, there is very little hope for employees to get adequately compensated even under the revised legislative measures.

15.7.2 Employees' State Insurance (ESI) Act, 1948

Employees are eligible to get the following health care benefits, according to the Employees State Insurance Act, 1948 – which has been amended in 2010. (ESI Amendment Act, 2010). The Act now covers employees working in small factories, establishments & non-organised sector(including VRS employees, apprentices, trainees and even part time employees) This Act is applicable to all factories, establishments running with power and employing 20 or more workers whose wages do not exceed ₹ 10,000 per month).

(*i*) ***Sickness benefit:*** In case of sickness employees are entitled to 70 per cent of the average daily wage. The benefit is paid for up to 91 days in any two consecutive designated 6 month periods.

(*ii*) ***Maternity benefit:*** Insured women employees are entitled to maternity leave for 12 weeks. Sickness arising out of pregnancy, confinement, premature birth etc entitles the affected employee to avail one month leave. If the women in question were to die, leaving a child behind, maternity benefit is payable to the nominee. Maternity benefit rate is 100% of average daily wages.

(*iii*) ***Disablement benefit:*** Insured employees, who are disabled temporarily) or permanently (partial or total) – 90% wages payable in both cases – due to employment injury and/or occupational diseases are entitled to get cash benefit under this head.

(*iv*) ***Dependant's benefit:*** If an insured person dies as a result of an employment injury sustained as an employee, his dependants who are entitled to compensation under

NOTES

the Act, shall be entitled to periodical payments referred to as dependant's benefit (90% of wages payable in the form of monthly payment to dependents)

(*v*) ***Medical benefit:*** Full medical care is provided to an Insured person and his family members from the day he enters insurable employment. There is no ceiling on expenditure on the treatment of an Insured Person or his family member. Medical care is also provided to retired and permanently disabled insured persons and their spouses on payment of a token annual premium of ₹ 120.

(*vi*) ***Funeral expenses:*** An amount of ₹ 10,000 is payable to the dependents or to the person who performs last rites from day one of entering insurable employment.

The ESI Scheme applies to over 830 centres in 31 States and Union Territories. The Act now applies to over 7.23 lakh factories and establishments across the country, benefiting about 2.03 crores insured persons/family units. As of now (31st October, 2016, Source: www.esic.nic.in) the total beneficiary stands at over 7.89 crore. The coverage of the scheme, however, in the organised sector is quite low. The State Governments have not shown enthusiasm to implement the provisions of the scheme. There is a lack of support from unions and employers as well. There are inordinate delays in offering benefits to insured workers. The penalties for default in payment of contributions by the employer, no doubt, are quite severe. But these are rarely applied against employers.

15.7.3 The Maternity Benefits Act, 1961 (Amendment Bill 2016)

The Act provides for payment of maternity benefit to women workers on certain conditions. The Amendment Bill, 2016 introduced by the Modi Government recently seeks to bring about certain significant changes to the Maternity Benefit Act, 1961. The Act is applicable to all establishments not covered under the ESI Act, 1948. The benefits under the Act may be listed below:

- ***Duration of maternity leave:*** The Amendment Bill has sought to increase the duration of maternity leave to be provided to a woman employee from 12 (Twelve) weeks to 26 (Twenty Six) weeks. Further, the duration of maternity leave that a woman can avail prior to the date of the expected delivery has been sought to be increased from 6 (Six) weeks to 8 (Eight) weeks. These revised timelines are however restricted to women having up to 2 (Two) children. In all other cases, the maternity benefit will continue to be 12 (Twelve) weeks, out of which not more than 6 (Six) weeks can be availed of prior to the date of the expected delivery.
- ***Adoptive and commissioning mother:*** The Amendment Bill has sought to define the terms - 'commissioning mother' and 'adoptive mother'. A 'commissioning mother' includes a biological mother who uses her egg to create an embryo implanted in another woman, and an 'adoptive mother' includes a woman who legally adopts a child below the age of 3 (Three) months. Accordingly, maternity leave of 12 (Twelve) weeks has been introduced for - (*i*) a commissioning mother; and (*ii*) an adoptive mother. The said maternity leave is to be calculated from the date the child is handed over to the adoptive or commissioning mother, as the case may be.

NOTES

- ***Option to work from home:*** Another interesting amendment sought under the Amendment Bill is the introduction of the concept of 'work from home' for women whose nature of work is such that it allows her to work from home. This option can be availed of after the completion of the maternity leave of 26 (Twenty Six) weeks, for such duration as mutually agreed between the employer and the employee. Given that the Amendment Bill is silent on what would amount to 'work which can be carried out from home', it is likely that the said amendment will give rise to varied interpretation at a later date.
- ***Crèche facilities:*** Establishments having 50 (Fifty) or more employees will need to provide for a crèche within a stipulated distance, either separately or along with common facilities. A woman employee will be allowed atleast 4 (Four) visits to the crèche in a given day, which shall also include intervals for her rest. The terms 'employees' and 'common facilities' have not been defined either in the parent legislation, or the Amendment Bill. Hence, we will need to wait and watch whether it would also include 'contract employees' within its scope, and if employers would be permitted to provide common crèche facilities with other establishments in the vicinity.
- ***Right to know:*** Every establishment will need to intimate a woman about the maternity benefits available to her, at the time of her appointment. Such information will need to be intimated in writing and through the electronic mode.

15.7.4 The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (amended in 1996 with changes introduced in Feb 2016)

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: 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. 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 (at the rate of 8-12 per cent of the pay of the employee) from the employees' salary every month. The employer contributes an equivalent sum. Withdrawals (upto 90 per cent) from the fund are allowed now only after one attains the age of 58.

(*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 (amended in 2010):*** 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 ₹ 3,500. In a notification issued on June 18, the government in the newly modifed Employees' Deposit Linked Insurance (Amendment) Scheme, 2010, said the benefits will be for employees of both the public and private sector. The government said if an employee – who is a member of the Employees Provident Fund Organisation (EPFO) or a provident fund exempted under Section 17 of the Act – dies, the persons entitled to receive the PF amount will get an additional amount equal to the average balance in the employee's PF account in the last 12 months, if it is less than ₹ 50,000. However, if the amount exceeds ₹ 50,000, the relative will be paid 40 per cent of the excess amount, not exceeding ₹ 1 lakh.

(*iv*) ***The employees pension scheme, 1995:*** It is a contributory scheme where the employers' contribution towards the pension of the employee is diverted at 8.33 per cent from the total contribution of the 12 per cent made towards social security obligations. 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. The National Pension Scheme introduced in 2004, the money put in by subscribers in managed by Fund Managers (investing in bonds, government securities and even shares) and this scheme has been extended to all citizens of India w.e.f. 1st May 2009.

(*v*) ***The Social Security Number (SSN) initiative:*** The Social Security Number aims at uniquely identifying a subscriber, nationally. This will ensure that the primary problem of a mobile workforce is addressed and at the same time issue SSN to every working person. SSN will be allotted to each member ensuring that a member does not have another SSN allotted by EPFO and the same SSN is not allotted to any other member.

(*vi*) ***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.

15.8 SUMMARY

- Labour welfare enables the workers to lead a decent life in the midst of urban congestion, rising inflation and poor living conditions.
- There are several agencies involved in labour welfare work – the central government, state governments, employers, trade unions and other social service organisations.
- Labour welfare may also be looked at from a different angle. Statuary 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.

- Social security is the 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.

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. Define social security. Explain its scope and importance in Indian Industry.
6. Briefly discuss the social security measures provided under the following Acts:
   - Workmen's Compensation Act, 1923.
   - ESI Act, 1948.
   - Maternity Benefits Act, 1961.
7. Explain the concept of social security and discuss its dynamic nature.

NOTES

16. Employee Grievances

STRUCTURE

16.1 INTRODUCTION

A grievance can be broadly defined as an employee's dissatisfaction or feeling of personal injustice relating to his employment. A grievance is said to arise when an employee feels that something has happened or is happening to him – that he thinks is unfair, unjust or inequitable. It must be noted that discontentment or dissatisfaction over something is not a grievance. The unhappy feelings must find their way in the form of a complaint. When the complaint remains unattended and the aggrieved employee feels that he is being taken for a ride – rightly or wrongly, for valid reasons or for ridiculous ones – the dissatisfaction grows and assumes the status of a grievance. A grievance, thus, is a complaint that has been put in writing and made formal (Jucious).

Features

If we analyse the views of various experts cited above, some noticeable features emerge clearly

- ***Discontent or dissatisfaction:*** A grievance refers to any form of discontent or dissatisfaction with any aspect of the organisation.
- ***Real or imaginary:*** 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.

- ***Voiced or unvoiced:*** 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.
- ***Perceived non-fulfillment of expectations:*** A grievance, broadly speaking, may refer to perceived non-fulfillment of one's expectations leading to dissatisfaction with any aspect of the organisation.

16.2 FORMS OF GRIEVANCES

A grievance may take any one of the following forms: (*a*) factual, (*b*) imaginary, (*c*) disguised.

- ***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.
- ***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, it has to clear the 'fog' immediately.
- ***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.

16.2.1 Complaint Vs Grievance

It is worth mentioning here that a mere complaint against anything is not a grievance. As far as management is concerned, if it has not violated anyone's rights, there is no grievance. When people complain about personal troubles and seek advice from supervisors, it is better to listen carefully and, if possible, lend a helping hand. Likewise, complaints against fellow workers need to be looked into dispassionately without taking sides. This sort of complaint can take the shape of a grievance if management gets involved. Complaints against management (or sometimes against the union) not referring to any injustice, or violation of a past practice or those not covered by contract need to be handled tactfully. It is always better to put out fires quickly through informal discussions.

16.2.2 Causes

Grievances may occur for a number of reasons.

- ***Economic:*** Wage fixation, overtime, bonus, wage revision, etc. Employees may feel that they are paid less when compared to others.

NOTES

- ***Work environment:*** Poor safety and bad physical conditions, unavailability of tools and proper machinery, unrealistic targets, poor quality of materials etc.
- ***Supervision:*** Relates to the attitudes of the supervisor towards the employee such as perceived notions of bias, favoritism, nepotism, caste affiliations, regional feelings, etc.
- ***Work group:*** Employee is unable to adjust with his colleagues; suffers from feelings of neglect, victimization and becomes an object of ridicule and humiliation, etc.
- ***Miscellaneous:*** These include issues relating to (management policies) certain violations in respect of promotions, safety methods, transfer, disciplinary rules, fines, granting leave and medical facilities.

16.2.3 Effects

Grievances, if they are not identified and redressed, may adversely affect workers, managers and the organisation as a whole.

How Unresolved Grievances Impacts Production and People

Effects on production	Effects on employees	Effects on managers
• 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.	• 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.	• 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.

16.3 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. 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.

NOTES

(*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.

Advantages of Having an Effective Grievance Procedure

The following are some of the distinct advantages of having a grievances handling procedure: (Need for a grievance procedure)

- ***Read the pulse of employees:*** The management is able to know the employees' feelings and opinions about the company's policies and practices. It can feel the 'pulse' of the employees.
- ***Chance to ventilate feelings:*** 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.
- ***Compelled to listen to the voice of employees:*** It keeps a check on the supervisor's attitude and behaviour towards their subordinates. They are compelled to listen to subordinates patiently and sympathetically.
- ***Boost the morale of employees:*** 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.

16.4 EFFECTIVE REDRESSAL OF GRIEVANCES

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

- ***Conformity with statutory provisions:*** Due consideration must be given to the prevailing legislation while designing the grievance handling procedure.
- ***Clarity:*** 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.

NOTES

- *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.
- *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 wrongdoer is not taken to task, it may affect the morale of other employees as well.
- *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.
- *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

- *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.
- *Define correctly:* The management has to define the problem properly and accurately after it is identified/acknowledged.
- *Collect data:* Complete information should be collected from all the parties relating to the grievance. Information should be classified as facts, data, opinions, etc.
- *Analyse and solve:* The information should be analyzed, alternative solutions to the problem should be developed and the best solution should be selected.
- *Prompt redressal:* The grievance should be redressed by implementing the solution.
- *Implement and follow up:* Implementation of the solution must be followed up at every stage in order to ensure effective and speedy implementation.

16.5 MODEL GRIEVANCE PROCEDURE

Grievance procedure is a formal communication between an employee and the management designed for the settlement of a grievance. Grievances could be settled in two ways – open door policy or step ladder policy.

Open door policy: Under the open door policy, the aggrieved employee would meet the chief executive of the organisation, express his feelings of discontentment or unhappiness fearlessly and get the contentious issues resolved quickly. Such a policy, however, would work in small organisations.

Step ladder policy: This approach is more suitable for bigger organisations. According to the step ladder approach, workers' representatives are to be elected for a department or their union is to nominate them. Management has to specify the persons in each department who are to be approached first and the departmental heads who are supposed to be approached in the second step.

NOTES

The Model Grievance Procedure specifies the details of all the steps that are to be followed while redressing grievances.

STEP 1: In the first step the grievance is to be submitted to departmental representative, who is a representative of management. He has to give his answer within 48 hours.

STEP 2: If the departmental representative fails to provide a solution, the aggrieved employee can take his grievance to head of the department, who has to give his decision within 3 days.

STEP 3: If the aggrieved employee is not satisfied with the decision of departmental head, he can take the grievance to Grievance Committee. The Grievance Committee makes its recommendations to the manager within 7 days in the form of a report. The final decision of the management on the report of Grievance Committee must be communicated to the aggrieved employee within three days of the receipt of report. An appeal for revision of final decision can be made by the worker if he is not satisfied with it. The management must communicate its decision to the worker within 7 days.

STEP 4: If the grievance still remains unsettled, the case may be referred to voluntary arbitration.

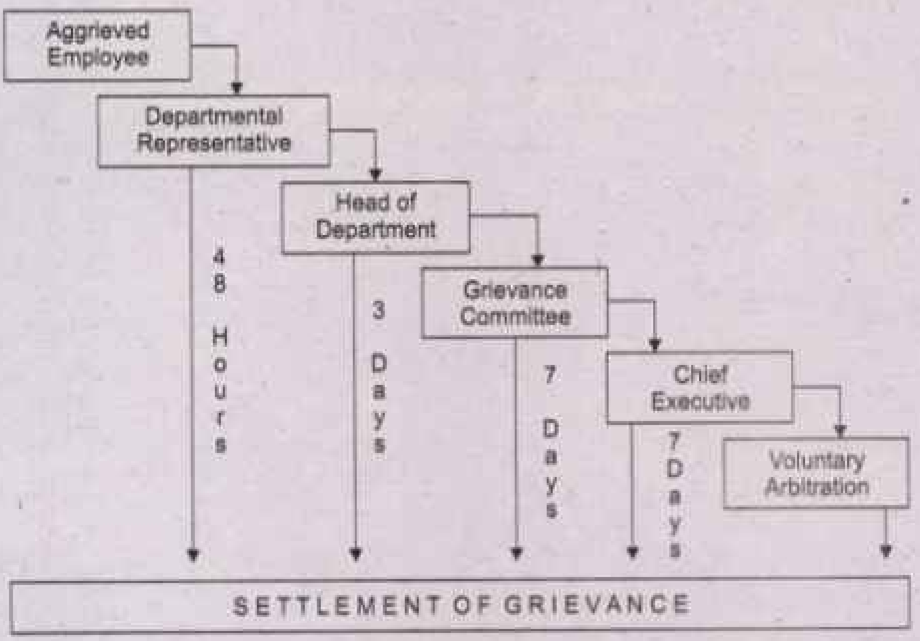


Fig. 16.1. Steps in the process of grievance redressal.

16.6 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.

- Treat each case as important and get the grievance in writing.

NOTES

- 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 about what the employee has to say and what he wants. Give short replies, uncovering the truth,and 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 the Visakhapatnam Steel Plant (VSP) and 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.

DO's and DON'Ts in Handling Grievances

DO's	DON'Ts
1. Investigate and handle each and every case as though it may eventually result in an arbitration hearing.	1. Discuss the case with the union steward alone; the grievant should definitely be there.
2. Talk with the employee about his grievance; give him a good and full hearing.	2. Make agreements with individuals that are inconsistent with the labour agreement.
3. Get the union to identify specific contractual provisions allegedly violated.	3. Apply the grievance remedy to an improper grievance.
4. Enforce the contractual time limits.	4. Hold back the remedy if the company is wrong.
5. Comply with the contractual time limits for the company to handle a grievance.	5. Admit the binding effect of a past practice.
6. Determine whether all the procedural requirements, as dictated by the agreement, have been complied with.	6. Relinquish your authority to the union.
7. Visit the work area where the grievance arose.	7. Settle grievances on the basis of what is fair. Instead, stick to the labour agreement which, after all, should be your standard.
8. Determine if there were any witnesses.	8. Make mutual consent agreements regarding future action.
9. Examine the relevant contract provisions, and understand the contract thoroughly.	9. Bargain over items not covered by the contract.

NOTES

10. Determine if there has been equal treatment of employees.	10. Concede implied limitations on your management's rights.
11. Examine the grievant's personal record.	11. Argue grievance issues off the work premises.
12. Fully examine prior grievance records.	12. Treat as "arbitrable" claims demanding the disciplining or discharge of management members.
13. Evaluate any political connotations of the grievance.	13. Commit the company in areas beyond your limits of responsibility or familiarity.
14. Permit a full hearing on the issues.	14. Give away your copy of the written grievance.
15. Identify the relief the union is seeking.	15. Discuss grievances of striking employees during an illegal work stoppage.
16. Treat the union representative as your equal.	16. Settle a grievance when you are in doubt.
17. Command the respect of the union representatives.	17. Support another supervisor in a hopeless case.
18. Hold your grievance discussions privately.	18. Refer a grievant to a different form of adjudication.
19. Provide the grievance process to non-union members as well.	19. Overlook the precedent value of prior grievance settlement.
20. Satisfy the union's right to relevant information.	20. Give long written grievance answers.
21. Demand that proper productivity levels be maintained during the processing of incentive grievances.	21. Trade a grievance settlement for a grievance withdrawal (or try to "make up" for a bad decision in one grievance by "bending over backwards" in another).
22. Fully inform your own superior of grievance matters.	22. Negate the management's right to promulgate plant rules.
	23. Deny grievances on the premise that "your hands have been tied by the management."
	24. Agree to informal amendments in the contract.

16.7 SUMMARY

- A grievance refers to any form of discontent of dissatisfaction, arising out of employment, regarding certain organisational issues.
- A grievance many be factual, imaginary or disguised.
- If grievances are not identified and redressed properly, they may adversely affect the workers, managers and the organisation.

NOTES

- 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.

Review Questions

1. Define the term "grievance". How would you try to uncover grievances?
2. Discuss the model grievance procedure that is applicable in India. What are the essential pre-requisites of a grievance procedure?
3. Discuss the importance of grievance redressal as against grievance avoidance.
4. "An effective grievance handling procedure is preventive rather than curative." Comment.
5. How can management know, understand and resolve employee grievances?
6. "A sound grievance procedure must contain certain essential steps." Comment.
7. Suggest a formal grievance procedure for a medium sized organisation.
8. Define the term "grievance". Discuss the model grievance procedure.
9. Are there any means to collect vital bits of information about grievances? If yes, elaborate the steps that could uncover grievances.
10. Explain how grievance management is important both from the standpoint of emplcyee and employer. Illustrate your answer with suitable examples.
11. What do you understand by grievance? Why should a manager be particularly concerned about employee grievances?

17. Industrial Disputes

NOTES

STRUCTURE

17.1 INTRODUCTION

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.

17.2 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

NOTES

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.

- ***Lockouts:*** Lockout 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 lockout. 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.

17.3 CAUSES OF INDUSTRIAL DISPUTES

Some of the prominent causes of industrial disputes may be listed thus:

(*a*) ***Employment-related causes:*** 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*) ***Administration-related causes:*** These pertain to ill-treatment, undeserved punishment, verbal abuse, physical assaults, etc.

(*c*) ***Psychological/social causes:*** On occasion, family, friends, community, environmental pressures and concerns also instigated the workers to take to the streets.

NOTES

(d) ***Institutional causes:*** Disputes arose on account of institutional factors such as: recognition of unions, membership of unions, scope of collective bargaining, unfair practices.

(e) ***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, Calcutta, etc.

17.4 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:

17.4.1 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
- Board of Conciliation
- Court of Enquiry
- Voluntary Arbitration
- Adudication
- Labour Court
- Industrial Tribunal
- National Tribunal
- Appraisal

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.

NOTES

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 evidences 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.

NOTES

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 lost of adjudication which only an employer can bear – have all come in the way of prompt settlement of disputes through the adjudication machinery. (*Ramaswamy; P. Verma; Srivastava; C.S.Venkata Ratnam; Celestine*)

NOTES

17.5 SUMMARY

- Industrial conflicts constitute militant and organised protests against existing terms and conditions of employment. They occur in several forms such as strikes, lockouts, gheraos, picketing, boycott etc.
- Industrial disputes arise due to several causes relating to recognition, retrenchment, employment conditions, indiscipline, wages and allowances, bonus, ill-treatment etc.
- 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.

Review Questions

1. What do you mean by 'strikes' and 'lockouts'? What are their causes?
2. Critically examine the legal framework for industrial dispute resolution in India. In what specific ways does the existing system inhibit collective bargaining?
3. Distinguish between arbitration and adjudication. Give reasons for the failure of arbitration in India.
4. Critically examine the institutional provisions for the resolution of industrial disputes within the legal framework in India.
5. What is an industrial dispute? How does it adversely affect the workers, the management and the nation as a whole?

BBA-402

सर्वे भवन्तु सुखिनः सर्वे सन्तु निरामयाः !
सर्वे भद्राणिः पश्यन्तु माकश्चिद् दुःख भाग्भवेत् !!

Directorate of Distance Education

SWAMI VIVEKANAND
SUBHARTI UNIVERSITY
UGC Approved
Meerut
Where Education is a Passion ...

Subharti Puram, N.H.—58, Delhi-Haridwar By Pass Road,
Meerut, Uttar Pradesh 250005
Website: www.subhartidde.com , E-mail: ddesvsu@gmail.com