

CONTENTS

SR. NO.	TOPIC	PAGE NO.
	Contents	1
	Syllabus	2
Chapter-1.	Introduction	3
Chapter-2.	Human Resource Planning and Job Analysis	14
<i>Chapter-3.</i>	Recruitment & Selection	27
Chapter-4.	Career Development and Placement	45
Chapter-5.	Outsourcing Human Resource	58
Chapter-6.	Training and Development	69
Chapter-7.	Job Evaluation	91
Chapter-8.	Performance Appraisal	101
Chapter-9.	Compensation Management	115
Chapter-10.	Wages and Salary Administration	129
Chapter-11.	Industrial Relations	138
Chapter-12.	Collective Bargaining	148
Chapter-13.	Industrial Dispute & Settlement	154
Chapter-14.	Workers' Participation in Management	167
	'Assignments'	174

MC 2.3: HUMAN RESOURCE MANAGEMENT

Max Marks: 80

Internal Assessment: 20

Note: There will be nine (9) questions in all. The first question is compulsory and consists of ten (10) short-questions having two (2) marks each. The candidate will be required to attempt one question from each unit and each question carries fifteen (15) marks.

COURSE CONTENTS:

Unit-I

Concept, Nature, Scope and Objectives of Human Resource Management, HRM: The challenges- Environmental, Organizational and Individual, Human Resource planning and Job analysis.

Recruitment: sources, concept and objectives, Selection: concept, Procedure and cost benefit analysis of selection, Induction, career planning, bases of promotion, Transfer, Separations, Outplacement and Outsourcing HR. Emerging trends of HRM in globalized economy and cross cultural environment.

Unit-II

Human Resource Development: Training & Development: Concept, Training need assessment, Types of training programmes: on the job, ROI of training, metrics for evaluation of training programme, Performance Appraisal; Objectives, Uses and Methods : Traditional and Modern methods (Assessment and Development Centres, 360 Appraisals), Problems of Performance Appraisal, Legal issues in Performance Appraisal. Classification of Employees and Conceptual differences in Compensation Systems.

Unit-III

Concept of Wages & Salary, Components of wages, Method of wage Determination, Methods of Wage payment, Wage Differentials, Job Evaluation. **Industrial Relations:** Concept and Approaches to Industrial Relations, Unitary, Pluralistic and Radical Approach, Industrial Relations System, Overview of International HRM: Selection, Compensation, Training & Development, Patriation and Repatriation.

Unit-IV

Workers' Participation in Management, Collective Bargaining, Dispute Settlement System including Arbitration, Conciliation and Adjudication.

Employees Compensation: Regulatory provisions, Regulatory provisions for settlement of disputes.

Recommended Books:

1. Human Resource Management, VSP Rao, Excel Books
2. Human Resource Management, Durai, Pearson
3. Personnel & Human Resource Management, P. Subba Rao, HPH
4. HRM Text & Cases, Aswathappa, TMH
5. HRM, Snell, Bohlander, Vohra; Cengage
6. Managing Human Resources, Gomez, Balkin, Cardy, PHI
7. Human Resource Management, Jyoti, Venikates, Oxford
8. Human Resource Management, Khanka, S. chand
9. HRM a case study approach, Muller Camen, Jaico

Chapter-1

Introduction

Structure

- 1.0 Learning Objectives
- 1.1 Introduction
- 1.2 Definitions
- 1.3 History of Human Resource Management
 - 1.3.1 Scientific Management Approach
 - 1.3.2 Human Relations Approach
 - 1.3.3 Human Resources Approach:
- 1.4 Nature of Human Resource Management
- 1.5 Scope of Human Resource Management
- 1.6 Need for Human Resource Management
- 1.7 Objectives of Human Resource Management
- 1.8 Importance of Human Resource Management
- 1.9 Limitations of Human Resource Management
- 1.10 Self Check Exercise
- 1.11 Summary
- 1.12 Glossary
- 1.13 Answers to Self Check Exercise
- 1.14 Terminal Questions
- 1.15 Suggested Readings

1.0 Learning Objectives

After reading the lesson, you should be able to understand:-

1. The concept of HRM
2. The History of HRM
3. The need, scope and nature of HRM
4. The objectives, importance and limitations of HRM.

1.1 Introduction

Human resource is most important for the success of any organisation. It is a source of strength and aid. Human resources are the assets of an organisation which can help it in achieving its goals. Human resources management is concerned with the human beings in an organisation. It reflects a new outlook which views organisation's manpower as its resources and assets. Human resource is the total knowledge, abilities, skills, talents and aptitudes of an organisation's workforce. The values, ethics,

beliefs of the individuals working in an organisation also form a part of human resource. The resourcefulness of various categories of people and other people available to the organisation can be treated as human resources. In the present complex environment, no business or organisation can exist and grow without appropriate human resources. So, human resource has become the focus of attention of every progressive organisation.

Human resource is a resource like any other natural resource. It means that management can get and use the skill, knowledge, ability and talent through the development of skills, tapping and utilizing them again and again. Human resource management is that process of management which develops and manages the human elements of an enterprise. It is not only the management of skills but also the attitudes and aspirations of people. When individuals come to a work place, they come with not only technical skills, knowledge, experience and talent, but also with their personal feelings, perceptions, desires, motives, attitudes, values and so on. Therefore, Human Resource Management means management of various aspects of human resources.

The traditional approaches to personnel management emphasize command and control. These have now given way to new approaches characterized by greater freedom and support to employee. This transformation is almost complete and many successful companies today empower their employees to manage most aspects of their work.

Before the 1980s, personnel administration was characterized by standardization, and consistency and conformity were the hallmarks of the management policy. However, in the present time, flexibility has become a significant aspect of a company's corporate human resource strategy. Though an organisation's physical assets are major factors in determining its success. It has now been accepted that its employees or human resources are equally critical assets.

An important element of human resource management is the 'Humane Approach' while managing people. This approach helps a manager to view his people as an important resource. It is an approach which manpower resources are developed not only to help the organisation in achieving its goals but also to the self satisfaction of the concerned persons. On the one hand this approach focuses on human resource development, and on the other hand it focuses on effective management of people. HRM approach is a fundamental change in philosophy and perspective from the earlier thinking about manpower resources. It emphasises the human aspect of individual workers and their aspirations and needs. The successful management of an organisation's human resources is an exciting, dynamic and challenging field, especially at a time when companies are globalizing and employing increasingly larger in numbers of knowledge workers.

1.2 Definitions

Human resource management deals with the "People" dimension in management.

Leon C. Megginson- HRM refers to the total knowledge, skills, creative abilities, talents and aptitudes of an organisation's workforce as well as the values, attitudes and beliefs of the individuals involved.

Buyers and Rue- HRM encompasses those activities designed to provide for and coordinate the human resources of an organisation.

Ivancevich and Glueck- Personnel/Human resource management is the function performed in organisations that facilitates the most effective use of people (employees) to achieve organisational and individual goals.

Edwin B. Flipppo- Human resource management is the planning, organising, directing and controlling of the procurement, development, compensation, integration, maintenance and reproduction of human resources to the end that individual, organisational and societal objectives are accomplished.

Institute of Personnel Management- Personnel Management is an integral but distinctive part of management concerned with people at work and their relationships within enterprise. It seeks to bring together into an effective organisation the men and women who staff the enterprise enabling each to make his/her best contribution to its success, both as a member of a working group and as an individual. It seeks to provide relationships within the enterprise that are conducive both to effective work and human satisfaction.

Armstrong- HRM is the strategic and coherent approach to the management of an organization's most valuable assets-the people working there who individually and collectively contribute to the achievement of the objectives of the business.

Dale Yoder- The management of human resources is viewed as a system in which participants seek to attain both individual and group goals.

Michael J. Jucious- HRM may be defined as that field of management which has to do with planning, organising and controlling the functions of procuring, developing, maintaining and utilising a labour force, such that (a) objectives for which the company is established are attained economically and effectively; (b) objectives of all levels of personnel are served to the highest possible degree; (c) objectives of society are duly considered and served.

Pigors and Myres- HRM is basically a method of developing potentialities of employees so that they get maximum satisfaction out of their work and give their best efforts to the organisation.

1.3 History of Human Resource Management

There is a vast difference between modern HRM and the personnel management that was prevalent decades ago. The different approaches of HRM are as follows:

1.3.1 Scientific Management Approach

In the early 1900s, most business owners and managers believed that if employees were to be effectively managed, they had to be constantly supervised and focused to work. All employees were considered to be equal in terms of productivity; when they failed to achieve the set targets they were disciplined or fired. This approach challenged these beliefs and suggested that managers adopt a scientific and objective approach to determine how work could be designed and carried out most efficiently. **Fredrick Taylor**, who is widely considered to be the father of scientific management, focused on the study of motions that were required for each job, the tools used, and the time needed to accomplish each task. Fair performance standards were then determined for each job, on the basis of such scientific data rather than on the superior's subjective judgement. Those workers whose output exceeded the standard were given additional incentive pay. Scientific management principles spread quickly and gained wide popularity at that time. However, the belief that formed one of the bases of scientific management, that workers were solely motivated by money, led to many problems.

The scientific management approach resulted in work methods and techniques that emphasized employee output. Taylor's time-and-motion studies replaced 'rule-of-the-thumb' work methods with the 'one best way' to accomplish a task. This 'one best way' to do the job involved a high degree of standardization and usually required little mental effort. The workers have few opportunities to use their judgement or make their own decisions. Advocates of this approach pointed out that these were not serious limitations, as the average worker (of that time) did not have much formal education and employed minimum knowledge and skill in his work.

During the early years of the 20th century, managers embraced the concept of the 'economic man' which suggested that a worker was basically motivated by economic gain and that financial incentives alone could maximize the worker's output. It was this concept that led Taylor to propose the differential piece-rate system where workers get a higher rate of pay for every unit of output that exceeds the daily output standard. Taylor expected the workers to maximise production in order to satisfy their one work-related need-money.

During the time, personnel departments of big manufacturing organisations had the traditional responsibility of recruiting, selecting, and training staff, and ensuring the health and safety of their employees. Nevertheless, the prime focus of their activities was the implementation of the scientific management techniques. Thus personnel staff conducted time-and-motion studies and fatigue studies; did job analysis and developed job specifications; and designed wage incentive programs. Many personnel departments supported welfare programs that addresses such needs of the workers like vacations, employee hygiene, job training, lunchrooms, company housing, employee loans, insurance plans and recreational programs. These welfare programs reflected the paternalistic attitude of the management. However, such practices were not very successful in bringing about behavioural changes and productivity gains to the extent desired by the management. This is why the employees welfare programs become less popular during the 1920s and 1930s.

1.3.2 Human Relations Approach

The Hawthorne studies, conducted during the 1930s and 1940s forced organisations to shift their attention from the scientific management approach to the human relations approach. The results of these studies suggested that employee productivity was affected not only by the way the job was designed and the economic rewards but also by certain social and psychological factors. In the course of their studies, Elton Mayo and F J Roethlisgerger found that the feelings, emotions and sentiments of employees were greatly influenced by such work conditions as group relationships and management support. These soft rewards in turn affected productivity. It was recognised that treating employees with respect would improve employee satisfaction and help in achieving higher productivity.

The growing strength of unions was also a major factor responsible for the shift to the concept of human relations. The rise of unionism gave workers the legal right to organise and to bargain collectively. The issues varied from wages and benefits to job security and working conditions. Though unionization led to the deterioration of labour-management relations in some companies, by and large, it led to greater acceptance and improving job satisfaction. The reason for this are as under:

- This approach was based on an oversimplified concept of human behaviour in an organisational setting. The assumption by the management that 'a happy worker is a hard worker' is now found to be valid only for a part of workforce.
- The human relations approach did not recognise individual differences. Each employee is unique and his/her wants, needs and values would be different. Moreover, something that motivates one worker may not have the same impact on another worker.
- The approach did not recognise the need for job structure. It did not give adequate importance to procedures, standards and work rules that would steer employees towards the achievement of organisational goals.
- The approach failed to recognise other factors that could influence employee satisfaction and productivity, like performance management; career development, job enrichment and career planning. It assumed that good human relations alone were sufficient to foster a high level of motivation, which is not true in practice.

During the 1950s and 1960s, the human relations approach began to be seen as outdated, and was abandoned by many organisations. Though good human relations are a significant organisational objective even today, it is no longer the predominant approach in guiding management of employees within organisations. It is now evident that many factors have to be considered in order to ensure high levels of employee satisfaction and productivity.

1.3.3 Human Resources Approach:

Organisations have now adopted the human resources approach, which treats the organisational goals and employee needs as being mutual and compatible, and which can be pursued in unison.

Research in behavioural sciences during the 1970s suggested that treating people as resources rather than as factors of production or as human beings who act on the basis of emotions alone, would lead to real benefits for the organisation as well as for the employee. The human resources approach is based on a number of principles, some of which are as follows:

- Employees are assets to an organisation. The time and resources employed in managing and developing them are an investment that the organisation makes for better returns in the present and in the future.
- Policies, programs and practices must cater to the needs of employees and should help them in their work and also in their personal development.
- It is necessary to create and maintain a conducive work environment, to encourage the employees to develop and harness their knowledge and skills for the benefits of the organisation.
- Most people can exercise a great deal more self-direction, self-control and creativity than are required in their current jobs (Theory Y).
- The managers' basic job is to use the untapped human potential in the service of the organisation.
- The manager should create a healthy environment wherein all subordinates can contribute to the best of their capacities. The environment should provide a healthy, safe, comfortable and convenient place to work.
- Expanding subordinates' influence, self-direction and self-control will lead to direct improvements in operating efficiency.
- Work satisfaction may improve as a 'by-product' of subordinates making full use of their potential.

The contribution of behavioural sciences to management practices consists primarily of producing new insights rather than new techniques. It has developed and expanded into useful way of thinking, about the role of the manager, the nature of organisations and the behaviour of an individual within an organisation. HR policies and practices should be in alignment with goal of balancing individual and organisational needs. This can be achieved through a mutual process where the organisation and the employees help each other to achieve their goals.

1.4 Nature of Human Resource Management

HRM is the process of bringing people and organisation together so that the goals of each are met. It tries to secure the best from people by winning their wholehearted cooperation. It may be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient manner.

It has the following features: -

- **Action-Oriented:** HRM focuses attention on action, rather than on record keeping, written procedures or rules. The problems of employees at work are solved through rational policies.
- **Inter-disciplinary:** HRM is interdisciplinary in nature. The disciplines which contribute to human resource management are psychology, sociology, anthropology, economics and law. Knowledge of relevant aspects of these disciplines is quite important to become an efficient and effective HR manager.
- **Individually Focused:** It tries to help employees develop their potential fully. It encourages them to give their best to the organisation. It motivates employees through a

systematic process of recruitment, selection, training and development clubbed with fair wage policy.

- **People-Oriented:** HRM is all about people at work, both as individuals and groups. It tries to put people on assigned jobs in order to produce good results. The resultant gains are used to reward people and motivate them toward further improvements in productivity.
- **Future-Oriented:** Effective HRM helps an organisation meet its goals in the future by providing for competent and well-motivated employees.
- **Development- Oriented:** HRM intends to develop the full potential of employees. The reward structure is tuned to the needs of employees. Training is offered to sharpen and improve their skills. Employees are rotated on various jobs so that they gain experience and exposure. Every attempt is made to use their talents fully in the service of organisational goals.
- **Integration Function:** HRM tries to build and maintain cordial relations between people working at various levels in the organisation. It tries to integrate human assets in the best possible manner in the service of an organisation.
- **Functional Area of Management:** HRM is a functional area of management. Functional areas of management are based on major organisational functions. In a large business organisations, these functions are productions/operations, marketing, finance and human resources. Each functional area contributes in a specific way to achieve organisational objectives. Since, HRM deals with human resources and is responsible for ensuring availability of personnel to all functional areas; it has close relationship with these areas. HRM being a functional area of management draws heavily from management concepts, principles, and techniques and applies these in the management of human resources.
- **Comprehensive Function:** HRM is to some extent concerned with any organisational decision which has an impact on the workforce or the potential workforce. The term 'workforce' signifies people working at various levels including workers, supervisors, middle and top managers. It is concerned with managing people at work. It covers all types of personnel. Personnel work may take different shapes and forms at each level in the organisational hierarchy but the basic objective of achieving organisational effectiveness through better and efficient utilisation of human resources, remains the same.
- **Dynamism:** HRM is dynamic process; not a static process. It is dynamic because HRM practices have to be changed according to changes in environmental forces/ variables which keep on changing. Due to changing nature of HRM process, human resource manager in an organisation has to adopt dynamism for achieving objectives.
- **Universal Approach:** HRM is not confined to business organisations but also relevant to all types of organised activities such as non-business organisations like government departments, not-for-profit-organisations.
- **Continuous Function:** HRM is a continuous process. 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 every day operations.

1.5 Scope of Human Resource Management

The scope of HRM is very wide. Research in behavioural sciences, new trends in managing

knowledge workers and advances in the field of training have expanded the scope of HR function in recent years. The Indian Institute of Personnel Management has specified the scope as follows:-

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

1.6 Need for Human Resource Management

HRM helps in creating a better understanding between employees and management. It helps workers in accomplishing individual and organisational goals. The essentials of HRM are as follows:

- **Better Industrial Relations:** There is widespread unrest, weak worker-management relations, lack of confidence amongst them, rising expectations of employees and workers, emergence of militancy in trade unionism and others. These factors have created a gap among workers and management. Both sides are taking of exploitation by the either side. In the absence of humorous environment in an organisation the performance of workers is adversely affected. HRM is required to create proper understanding among workers and management. The workers are developed to meet their individual and organisational objectives. The workers are convicted that various managerial actions will help them in accomplishing their motives besides helping the organisation.
- **Develop Organisational Commitment** There is a humanization of work environment in industrialised countries such as Japan, Germany, and others. Globalisation of economy has exposed Indian Industries to international competition. An improvement in efficiency and quality of work can come only when workers develop organisational commitment. HRM helps in creating a sense of pride for the organisation among the workforce.
- **Cope Up with Changing Business Environment:** The business environment is rapidly changing. Technological advancements have revolutionised production procedures. Automation has been introduced in office operations. Better and advanced communication channels have revolutionised essential areas of business. There is a need to cope with new and changing situation. The operational efficiency of employees must improve to face the new and changing situations. There is a need for new approached to manpower planning.
- **Change in Political Philosophy:** The Political philosophy has undergone a radical change all over the world. The new approach is to develop human resource properly for making its better use. In India, Central Government has named a Ministry as Human Resource Development and put it under the charge of a Cabinet Minister. This development shows the importance given to human resource.
- **Increased Pressure on Workforce:** The technological changes have necessitated the use of advanced machines and tools. The installation, monitoring of machines and tools, maintenance and controlling of operations need trained and skilled workforce. There is a regular need for training and development of people for coping with the emerging situations. Human resource development has become essential for every organisation. Research and development in industry require a new policy of human resource development.

1.7 Objectives of Human Resource Management

The primary objective of HRM is to ensure a satisfactory accomplishment of the objectives of an organisation and its employees. While framing the HR objectives of the organisation care should be taken while considering the interests and needs of the employees and of employees' goals. This is done by integrating employee interests and the management interests with a view to achieve the objectives of the entire organisation.

The objectives of HRM are as:

- (A) Personnel Objectives:** Personnel objectives of employees must be met if employees are to be maintained, retained and motivated. Otherwise employee performance and satisfaction may decline and they may leave the organisation. The Personnel Objectives of HRM are as under:-
- HRM should increase employees' job satisfaction to the fullest extent.
 - HRM should also meet the self-actualisation needs of the employees'. It should estimate every employee to achieve his potential.
 - HRM should assist the employees in achieving their personal goals, at least in so far as these goals enhance the individual's contribution to the organisation.
 - HRM should develop and maintain a quality of work life (QWL). It makes employment in the organisation a desirable, personal and social situation. Organisational performance can never be improved without improving the quality of work life.
 - HRM should also communicate HR policies to all employees. It will help the HRM in tapping the ideas, opinions, feelings, and the views of the employees.
- (B) Functional Objectives:** The functional objectives of **HRM** includes the following:
- To maintain the HRM department's contribution at a level appropriate to the organisational needs. Resources are wasted when HRM is either more or less sophisticated to match the organisation's demands.
 - The department's level of service must be framed to fit the organisation it serves.
 - HRM should employ the skills and abilities of the workforce efficiently. It should aim at making the people's strengths more productive and beneficial to the enterprise.
 - HRM should aim at providing the organisation with well trained and well motivated employees.
- (C) Organisational Objectives:** The organisational objectives of HR includes the following:
- HR department, like any other department in an organisation, should focus on achieving the goals of the organisation first. If it does not meet this purpose, the HR department cannot exist in long run.
 - HR department should recognise its role in bringing about organisational effectiveness.
 - HRM is not an end in itself, it is only a means to assist the organisation with its primary objectives.
 - HR department should aim at serving rest of the organisation.
- (D) Societal Objectives:** The basic objectives of HRM towards the society should be to ensure that their organisation manages human resources in an ethical and socially responsible manner through ensuring compliance with legal and ethical standards. These objectives includes:
- To manage human resources in an ethical and socially responsible manner.

- To ensure compliance with legal and ethical standards.
- To minimise negative impact of societal demands upon the organisation.

1.8 Importance of Human Resource Management

People have always been Central to organisations, but their strategic importance is growing in today's knowledge-based industries. An organisation's success increasingly - depends upon the knowledge, skills and abilities of employees, particularly as they help establish a set of core competencies that differentiate an organisation from its competitors. With appropriate HR policies and practices an organisation can hire, develop and utilise best talents and brains in the marketplace, realize its goals and deliver results better than others. Human Resource Management helps an organisation and its people to realize their perspective goals. Thus, the importance of HRM at different levels as, under:

(A) Enterprise Level:

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

(B) Individual Level:

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

(C) Society Level:

- Generate employment opportunities.
- The Latent/hidden or scarce talents are put to best use. Companies can pay and treat people well always race ahead of others and deliver excellent results.

(D) National Level:

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

1.9 Limitations of Human Resource Management

HRM approach is very useful in creating work culture in the organisation but still it suffers from certain limitations:-

- **Recent Origin:** HRM is of recent origin, so it lacks universally approved: base. Different people try to define the term differently. Some thinkers consider it as a new term instead of personnel management. Some organisations have named their traditional personnel department as HRM department. With the passage of time an acceptable approach will be developed.
- **Lack Management Support:** HRM must have the support of top level management. The change in attitude at the top level can bring good results while implementing HRM. Due to

passive attitude of the top level, this work is handled by personnel management people. Unless otherwise there is a change in approach and attitude nothing favourable will happen.

- **Improper Implementation:** HRM should be implemented by assessing the training and development needs of employees. The needs and aspirations of people should be taken into account while framing human resource policies. HRM is implemented half-heartedly. The organising of some training programmes is considered as the implementation of HRM. Management's productivity and profitability approach remains undisturbed in many enterprises".
- **Faulty Development Programmes:** HRM requires implementation of programmes such as career planning, on-the-job training, development programmes, counselling and others. There is a need to create an atmosphere of learning in the organisation. In reality HRM programmes are confined to class room lectures and expected results are not coming out from this approach.
- **Inadequate Information:** Some organisations do not have proper and required information about their employees. In the absence of-adequate information and database, this system cannot be properly and effectively implemented. There is a need to collect, store and retrieve proper information before-implementing HRM.

1.10 Self Check Exercise

1. Define the term "Human Resource Management."
2. Discuss in brief the nature of HRM
3. Write a short-note on scope of HRM
4. What are the main objectives of HRM? Discuss in brief
5. Why HRM is important? Write a short-note.
6. What are the limitations of HRM? Discuss in brief.

1.11 Summary

The liberalisation of economy, entry of multi-nationals in Indian markets, raising of quality and standards of goods, growing competition will put pressure on human resources of every organisation. Management will be required constantly assess and reassess competence levels of their employees. Training and development programmes will be needed to motivate personnel to cope with the new requirements. HRM will have to play an important role in managing the business in near future.

1.12 Glossary

- Human resource management (HRM) is the practice of recruiting, hiring, deploying and managing an organization's employees.
- Human resources managers plan, direct, and coordinate the administrative functions of an organization. They oversee the recruiting, interviewing, and hiring of new staff; consult with top executives on strategic planning; and serve as a link between an organization's management and its employees.
- Job means a task or piece of work, especially one that is paid.
- Organization is a group of people who work together. Organizations exist because people working together can achieve more than a person working alone.

- Personnel is a noun describing a group of people who follow orders, usually at a company. If you have a job, you're probably considered personnel to be managed.
- Personnel management is defined as an administrative specialization that focuses on hiring and developing employees to become more valuable to the company. It is sometimes considered to be a sub-category of human resources that only focuses on administration.

1.13 Answers to Self Check Exercise

1. For answer refer to section 1.2
2. For answer refer to section 1.4
3. For answer refer to section 1.5
4. For answer refer to section 1.7
5. For answer refer to section 1.8
6. For answer refer to section 1.9

1.14 Terminal Questions

1. What do you understand by Human Resource Management?
2. Define HRM. Discuss its characteristics in brief?
3. Explain the objectives and significance of Human resource management.
4. Elaborate the scope of human resource management by taking into consideration the present scenario.
5. Discuss the need for human resource management in detail.
6. Describe the term Human resource management and also the limitations.

1.15 Suggested Readings

- Yoder D, Heneman H. G.,Turnbull J.G and Stove C.H., “Handbook of Personnel Management and Labour Relations”, McGraws Hill, New York.
- Gupta,S.K. and Joshi, R., “Human Resource Management”, Kalyani Publishers.
- Prasad, L. M., “Human Resource Management”, Sultan Chand and Sons.
- Rao, V S P, “Human Resource management- Text and cases” Excel Books.

---//---

Chapter-2

Human Resource Planning and Job Analysis

Structure

- 2.0 Learning Objectives
- 2.1 Introduction
- 2.2 Definitions
- 2.3 Features of Human Resource Planning
- 2.4 HR Planning at different Levels
- 2.5 Need for Human Resource Planning
- 2.6 Objectives of Human Resource Planning
- 2.7 Determinates of Human Resource Planning
- 2.8 Analyzing Factors for Manpower Requirements on Demand Side (Demand Forecasting)
- 2.9 Analyzing Factors for HR Requirements on Supply Side (Supply Forecasting)
- 2.10 Estimating the Net HR Requirements
- 2.11 Control and Review Mechanism
- 2.12 Strategies for Human Resources Planners
- 2.13 Limitations of Human Resource Planning
- 2.14 Guidelines for making Human Resource Planning Effective
- 2.15 Job Analysis
- 2.16 Job Description
- 2.17 Job Specification
- 2.18 Self Check Exercise
- 2.19 Summary
- 2.20 Glossary
- 2.21 Answers to Self Check Exercise
- 2.22 Terminal Questions
- 2.23 Suggested Readings

2.0 Learning Objectives

After reading the lesson, you should be able to:-

1. Explain Human Resource Planning and its features
2. Understand the determinates of Human Resource Planning
3. Understand the Strategies for Human Resources Planners
4. Understand Job Analysis, Job description and job specification

2.1 Introduction

Human Resource Planning (HRP) is the process of forecasting the future human resource requirements of the organization and determining as to how the existing human resource capacity of the organization can be utilized to fulfil these requirements. It, thus, focuses on the basic economic concept of demand and supply in context to the human resource capacity of the organization. It is the HRP process which helps the management of the organization in meeting the future demand of human resource in the organization with the supply of the appropriate people in appropriate numbers at the appropriate time and place. Further, it is only after proper analysis of the HR requirements the process of recruitment and selection be initiated by the management. Also, HRP is essential in successfully achieving the strategies and objectives of organization. In fact, with the element of strategies and long term objectives of the organization being widely associated with human resource planning these days, HR Planning has now become Strategic HR Planning. Human resource planning is the most important managerial function of an organization. It ensures three main things:

- It ensures Adequate supply of human resources.
- It ensures proper quality of human resources.
- It ensures effective utilization of human resources.

2.2 Definitions:

International Labour Organization, "Human resources planning is the process by which management ensures that it has the right personnel, who are capable of completing those tasks that help the organization reach its objectives. It involves the forecasting of human resources needs and the projected matching of individuals with expected vacancies."

Coleman, "Manpower planning is the process of determining manpower requirements and the means for meeting those requirements in order to carry out the integrated plan of the organisation".

Jeisler, "Manpower planning is the process including forecasting, developing and controlling—by which a firm ensures,- it has the right number of people and the right kind of people and at the right places at the right time doing things for which they are economically most useful"

Dale S. Beach, "Human resource planning is a process of determining and assuring that the organisation will have an adequate number of qualified persons, available at the proper times, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved."

Wickstron, "Human resource planning consists of a series of activities viz.:

- Forecasting future manpower requirement either in term of mathematical projection of trends in the economic environment and development in industry or in term of judgmental estimates based upon the specific future plans of a company.
- Making an inventory of present manpower resources and assessing the extent to which these resources are employed optimally.
- Anticipating manpower problems by projecting present resources into the future and comparing them with the forecast of requirements to determine their adequacy, both quantitatively and qualitatively; and
- Planning the necessary programs of recruitment, selection, training, development, transfer, promotion, motivation and compensation to ensure that future manpower requirements are properly met.

2.3 Features of Human Resourcing Planning

- It must incorporate the human resource needs in the light of organizational goals.
- It must be directed towards clear and well-defined objectives.
- Human resource plan must ensure that it has the right number of people and the right kind of people at the right time doing work for which they are economically most suitable.
- It should take into account the principle of periodical reconsideration of new developments and extending the plan to cover the changes during the given long period.
- It should pave the way for an effective motivational process.
- Adequate flexibility must be maintained in human resource planning to suit the changing needs of the organization.

Human Resourcing Planning or Man Power Planning is essentially concerned with the process of estimating and projecting the supply and demand for different categories of personnel in the organization for the years to come.

2.4 HR Planning at different Levels

Human Resource Planning (HRP) may be done at different levels and for different purposes. National planners may make a HR plan at the national level whereas the strategists at a company may make a HR plan at the unit level. The HR Planning thus operates at five levels.

1. **HRP at National Level:** HRP at the national level helps to plan for educational facilities, health care facilities, agricultural and industrial development and Employment plans, etc. The government of the country plans for human resources at the national level. National plans for HR forecast the demand and supply of human resources at the national level. It also plans for occupational distribution, sectoral and regional allocation of human resources.
2. **HRP at the Sectoral Level:** HRP at the sectoral level helps to plan for a particular sector like agriculture, industry, etc. It helps the government to allocate its resources to the various sectors depending upon the priority accorded to the particular sector.
3. **HRP at the Industry Level:** HRP at the industry level takes into account the output/ operational level of the particular industry when manpower needs are considered.
4. **HRP at the Unit Level:** HR Planning at the company level is based on the estimation of human resource needs of the particular company in question. It is based on the business plan of the company. A manpower plan helps to avoid the sudden disruption of the company's production since it indicates shortages of particular types of personnel, if any, in advance, thus enabling the management to adopt suitable strategies to cope with the situation.
5. **HRP at the Departmental Level:** HRP at the departmental level looks at the manpower needs of a particular department in an organization.

2.5 Need for Human Resource Planning

Human resource planning is needed for foreseeing the human resource requirements of an organization and supply of human resources. Its need can be accessed from the following points:

1. **Replacement of Persons:** A large number of persons are to be replaced in the organization because of retirement, old age, death, etc. There will be a need to prepare persons for taking up new position in such contingencies.
2. **Labour Turnover:** There is always labour turnover in every organization. The degree of labour turnover may vary from concern to concern but it cannot be eliminated altogether. There will be

a need to recruit new persons to take up the positions of those who have left the organization. If the concern is able to forecast turnover rate precisely, then advance efforts are made to recruit and train persons so that work does not suffer for want of workers.

3. **Expansion Plans:** Whenever there is a plan to expand or diversify the concern then more persons will be required to take up new positions. Human resource planning is essential under these situations.
4. **Technological Changes:** The business is working under changing technological environment. There may be a need to give fresh training to personnel. In addition, there may also be a need to infuse fresh blood into the organization. Human resource planning will help in meeting the new demands of the organization.
5. **Assessing Needs:** Human resource planning is also required to determine whether there is any shortage or surplus of persons in the organization. If there are less persons than required, it will adversely affect the work. On the other hand, if more persons are employed than the requirement, then it will increase labour cost, etc. Human resource planning ensures the employment of proper workforce.

2.6 Objectives of Human Resource Planning

The following are the objectives of human resource planning:

- Assessing manpower needs for future and making plans for recruitment and selection.
- Assessing skill requirement in future for the organization.
- Determining training and the development needs of the organization.
- Anticipating surplus or shortage of staff and avoiding unnecessary detentions or dismissals.
- Controlling wage and salary costs.
- V Ensuring optimum use of human resources in the organization.
- Helping the organization to cope with the technological development and modernization.
- Ensuring career planning of every employee of the organization and making succession programmes.
- Ensuring higher labour productivity.

2.7 Determinants of Human Resource Planning

There are several factors that affect HRP. These factors or determinants can be classified into external factors and internal factors.

External Factors

- **Government Policies:** Policies of the government like labour policy, industrial relations policy, policy towards reserving certain jobs for different communities and sons-of-the soils, etc. affect the HRP.
- **Level of Economic Development:** Level of economic development determines the level of HRD in the country and thereby the supply of human resources in future in the country.
- **Business Environment:** External business environmental factors influences the volume and mix of production and thereby the future demand for human resources.
- **Level of Technology:** Level of technology determines the kind of human resources required.

- **International Factors:** International factors like the demand for the resources and supply of human resources in various countries.

2.8 Analyzing Factors for Manpower Requirements on Demand Side (Demand Forecasting)

The existing job design and analysis may thoroughly be reviewed keeping in view the future capabilities, knowledge and skills of present employees. The job generally should be designed and analyzed reflecting the future human resources and based on future organizational plans. The factors for manpower requirements on demand side can be analyzed by making demand forecasting.

Demand forecasting is the process of estimating the future requirements of manpower, by function and by level of skills. It has been observed that demand assessment for operative personnel is not a problem but projections regarding supervisory and managerial levels is difficult.

Two kinds of forecasting techniques are commonly used to determine the organization's projected demand for human resources.

These are: (i) Judgemental forecasts, and (ii) Statistical projections.

- (i) **Judgemental Forecasts:** Judgemental forecasts are also known as the conventional method. The forecasts are based on the judgement of those managers and executives who have intensive and extensive knowledge of human resource requirement. Judgemental forecasts could be of two types:
 - (a) **Managerial Estimate:** Under this method, the managers or supervisors who are well-acquainted with the workload, efficiency and ability of employees, think about their future workload, future capabilities of employees and decide on the number and type of human resources to be required. An estimate of staffing needs is done by the lower level managers who make estimates and pass them up for further revision.
 - (b) **Delphi Method:** A survey approach can be adopted with the Delphi technique. The Delphi process requires a large number of experts who take turns to present their forecast statement and underlying assumptions to the others, who then make revisions in their forecasts. Face-to-face contact among the experts is avoided.
- (ii) **Statistical Projection:** Some forecasting techniques are based on statistical methods. Some of them are given below:
 - (a) **Ratio-Trend Analysis:** The ratio-trend analysis is carried out by studying the past ratios and the forecasting ratios for the future. The components of internal environmental changes are considered while forecasting the future ratios. Activity level forecasts are used to determine the direct human resource requirements. This method depends on the availability of past records and the internal environmental changes likely to occur in future.
 - (b) **Econometric Model:** Under the econometric model, the previous data is analyzed and the relationship between different variables in a mathematical formula is developed. The different variables affecting the human resource requirements are identified. The mathematical formula so developed is then applied to the forecasts of movements in the identified variables to produce human resource requirements.
 - (c) **Work-Study Techniques:** Work-study techniques are generally used to study work measurement. Under the workload analysis, the volume of workload in the coming years is analyzed. These techniques are more suitable where the volume of work is easily measurable. If the planners forecast expansion in the operations, additional operational workers may be required. If the organization decides to reduce its operations in a particular area, there may be decreased demand for the workers. If there is likely to be no

change, present demand for workers will continue. The work-study method also takes into account the productivity pattern for the present and future, internal mobility of the workers like promotion, transfer, external mobility of the workers like retirement, deaths, voluntary retirements, etc.

2.9 Analyzing Factors for HR Requirements on Supply Side (Supply Forecasting)

Supply forecasting is concerned with human resources requirements from within and outside the organization. The first step of forecasting the future supply of human resource is to obtain the data and information about the present human resource inventory.

The supply forecasting includes human resource audits; employee wastage; changes due to internal promotions; and changes due to working conditions. Some of the steps are discussed below:

- (i) **Human Resource Audits:** These are analysis of each employee's skills and abilities. This analysis facilitates the human resource planners with an understanding of the skills and capabilities available in the organization and helps them identify manpower supply problems arising in the near future. These inventories should be updated periodically otherwise it can lead to present employees being ignored for job openings within the organization.
- (ii) **Employee Wastage:** The second step of supply forecasting is estimation of future losses of human resources of each department and of the entire organization. This is done to identify the employees who leave the organization and to forecast future losses likely to occur due to various reasons. Employees may leave the organization for reasons like retirements, layoffs, dismissals, disablement, ill health, death, etc. Reasons for high labour turnover and absenteeism should be analyzed and remedial measures taken. Management has to calculate the rate of labour turnover, conduct exit interview, etc. This helps to forecast the rate of potential loss, reasons for loss and helps in reducing the loss.
- (iii) **Internal Promotions:** Analysis is undertaken regarding the vacancies likely due to retirements and transfer and the employees of particular groups and categories who are likely to be promoted. The multiple effect of promotions and transfers on the total number of moves should be analyzed and taken into consideration in forecasting changes in human resource supply of various departments. For example, if the personnel officer is promoted as personnel manager, 2 more employees will also get promotion. The senior clerk in the personnel department will become personnel officer and the junior clerk will become senior clerk. Thus, there are 3 moves for one promotion.

2.10 Estimating the Net HR Requirements

Net human resource requirements in terms of number and components are to be determined in relation to the overall human resource requirements (demand forecast) for a future date and supply forecast for that date. The difference between overall human requirements and future supply of human resource is to be found out.

2.11 Control and Review Mechanism

Human resource planning requires considerable amount of financial resources besides time and staff. Small firms may not go for it but large organizations prefer human resource planning as a means of achieving greater effectiveness and long-term objectives. J.W. Walker is of the opinion that, "In making a projection of manpower requirements, selecting the predictor — the business factor to which manpower needs will be related - is the critical first step. Selecting the right predictor in relation to the business is a difficult process. To be useful, the predictor should meet two requirements; first, it should be directly related to the essential nature of the business so that business planning is done in terms of the factor. The second requirement is that changes in the selected factor be proportional to changes in

the manpower required in the business." Thus, the human resources structure and system should be controlled and reviewed with a view to keep them in accordance with the plan.

2.12 Strategies for Human Resource Planners

The objective of manpower planning is to help the organization to achieve its goal. For this purpose, the manpower planners have to develop some strategies. Stainer has suggested following strategies for the benefit of manpower planners:

- They should collect, maintain and interpret relevant information regarding human resources.
- They should periodically report manpower objectives, requirements and existing employment and allied features of manpower.
- They should develop procedures and techniques to determine the requirements of different types of manpower over a period of time from the standpoint of organization's goals.
- They should develop measures of manpower utilization as component of forecasts of manpower requirement along with independent validation.
- They should employ suitable techniques leading to effective allocation of work with a view to improving manpower utilization.
- They should conduct research to determine factors hampering the contribution of individuals and groups to the organization with a view to modifying or removing these handicaps.
- They should develop and employ methods of economic assessment of human resources reflecting its features as income generator and cost and accordingly improving the quality of decisions affecting the manpower.

2.13 Limitations of Human Resource Planning

The future is uncertain. There are several external factors viz. Technological, political, cultural, etc. that affects the employment opportunities. Therefore, the management can consider the human resource planning as a guiding factor and cannot rely completely on it.

- With the surplus manpower, the companies try to remove this imbalance using 'termination, layoff, removal of the existing employees. This could create a sense of insecurity among them, and that would result in the loss of their faith in the company.
- The human resource planning is time-consuming since it collects the complete information regarding the personnel requirements of each department and then finds the suitable sources to satisfy the needs.
- The human resource planning is an expensive process. All the activities carried out from the time the manpower need arises till the final placement of employees, consumes lot of time and is very expensive.

Thus, the firm must carry out the human resource planning cautiously since it is accorded with several limitations that can adversely affect the overall functioning of the firm.

2.14 Guidelines for Making Human Resource Planning Effective

Some of the suggestions for making HR planning effective are as given below:

- **Integration with Organizational Plans.** Human resource planning must be balanced with organizational plans. It must be based on the organizational objectives and plans. This requires development of good communication channels between organization planners and the human resource planners.

- **Period of HR Planning.** Period of the planning should be appropriate to the needs and circumstances of the enterprise in question. The size and structure of the enterprise as well as the anticipated changes must be taken into consideration.
- **Proper Organization.** To be effective, the planning function should be properly organized. If possible, within the human resource department. A separate cell or committee should be constituted to provide adequate focus and to coordinate planning work at various levels.
- **Support of Top Management.** To be effective in the long run, manpower planning must have the full support of the top management. The support from top management is essential to ensure the necessary resources, cooperation and support for the success of the planning.
- **Involvement of Operating Executives.** Human resource planning is not a function of manpower planners only. To be effective, it requires active participation and coordinated efforts on the part of operating executives. Such participation will help to improve understanding of the process and thereby reduce resistance.
- **Efficient and Reliable Information System.** To facilitate human resource planning, an adequate database must be developed for human resources.
- **Balanced Approach.** The human resource experts should give equal importance to both quantitative and qualitative aspects of manpower. Instead of matching existing people with existing job, stress should be laid on filling future vacancies with right people. Promotion should also be considered carefully. Career planning and development, skill levels, morale, etc. should be given due importance by the planners.

2.15 Job Analysis:

It is a process to identify and determine in detail the particular job duties and requirements and the relative importance of these duties for a given job. Job Analysis is a process where judgments are made about data collected on a job.

Job analysis is primary tool in personnel management. In this method, a personnel manager tries to gather, synthesize and implement the information available regarding the workforce in the concern. A personnel manager has to undertake job analysis so as to put right man on right job.

Outcomes of Job Analysis: There are two outcomes of job analysis:

1. Job description
2. Job specification

Information Collected: The information collected under job analysis is:

- Nature of jobs required in a concern.
- Nature/size of organizational structure.
- Type of people required to fit that structure.
- The relationship of the job with other jobs in the concern.
- Kind of qualifications and academic background required for jobs.
- Provision of physical condition to support the activities of the concern.

For example- separate cabins for managers, special cabins for the supervisors,

Purpose of Job Analysis: The purpose of Job analysis is to establish and document the 'job relatedness' of employment procedures such as training, selection, condensation and performance appraisal.

- **Determining Training Needs:** Job Analysis can be used in training/needs assessment" to identify or develop:
 - Training content
 - Assessment tests to measure effectiveness of training
 - Equipment to be used in delivering the training
 - Methods of training such as small group, computer-based, video, classroom and so on.
- **Compensation:** Job Analysis can be used in compensation to identify .or determine:
 - Skill levels
 - Compensable job factors
 - Work environment (e.g., hazards; attention; physical effort)
 - Responsibilities (e.g., fiscal; supervisory)
 - Required level of education (indirectly related to salary level)
- **Selection Procedures:** Job Analysis can be used in selection procedures to identify or develop:
 - Job duties that should be included in advertisements of vacant positions;
 - Appropriate, salary level for the position to help determine what salary should be offered to a candidate;
 - Minimum requirements (education and/or experience) for screening applicants;
 - Interview questions;
 - Selection tests/instruments (e.g., written tests; oral tests; Job simulations);
 - Applicant appraisal/evaluation forms;
 - Orientation materials for applicants/hew hires
- **Performance Review:** Job Analysis can be used in performance review to identify or develop:
 - Goals and objectives
 - Performance standards
 - Evaluation criteria
 - Length of probationary periods
 - Duties to be evaluated.

Methods of Job Analysis:

A typical method of Job Analysis would be to give the incumbent a simple questionnaire to identify job duties, responsibilities, 'equipment used, work relationships, and work environment The completed questionnaire would then be used to assist the Job Analyst who would then conduct an interview of the incumbents). A draft of the identified job duties, responsibilities, equipment, relationships, and work environment would be reviewed with the supervisor for accuracy. The Job Analyst would then prepare a job description and/or job specifications. The method that you may use in

Job Analysis will depend on practical concerns such as type of job, number of jobs, number of incumbents, and location of jobs.

Several methods exist that may be used individually or in combination.

These include:

- Review of job classification systems
- Incumbent interviews
- Supervisor interviews
- Expert panels
- Structured questionnaires
- Task inventories
- Checklists
- Open-ended questionnaires
- Observation
- Incumbent work logs

What Aspects of a Job Are Analyzed?

Job Analysis should collect information on the following areas:

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

Procedure of Job Analysis: A personnel manager carries analysis in two ways:

- a. **Job description**
- b. **Job specification**

2.16 Job Description:

It is an organized factual statement of job contents in the form of duties and responsibilities of a specific job. The preparation of job description is very important before a vacancy is advertised. It tells in brief the nature and type of job. This type of document is descriptive in nature and it constitutes all

those facts which are related to a job such as:

- Title/Designation of job and location in the concern.
- The nature of duties and operations to be performed in that job.
- The nature of authority-responsibility relationships.
- Necessary qualifications that is required for job.
- Relationship of that job with other jobs in a concern.
- The provision of physical and working condition or the work environment required in performance of that job.

2.17 Job Specification

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

1. Job title and designation
2. Educational qualifications for that title
3. Physical and other related attributes
4. Physique and mental health
5. Special attributes and abilities
6. Maturity and dependability
7. Relationship of that job with other jobs in a concern.

2.18 Self Check Exercise

1. Define Human Resource Planning.
2. What are the features of HRP? Write a short-note.
3. Write a short-note on need for HRP.
4. Discuss in brief the main objectives of HRP.
5. What do you mean by HR Demand Forecasting?
6. Write a short-note on strategies used for HRP.
7. Define Job Analysis, Job description and Job Specification

2.19 Summary

Planning provides a sense of purpose and direction, it is a comprehensive framework for making decisions in advance. It also facilitates the organizing, leading, and controlling functions of management. Planning: allows you to make your decisions ahead of time, it helps you to anticipate the consequences of various courses of action, it provides direction and a sense of purpose, it provides a unifying framework against which to measure decisions, and thus helps you avoid piecemeal decision making. Planning also helps identify potential opportunities and threats, and facilitates control. It is concerned with the end (what is to be done) as well as with means (how it is to be done). Human Resource Planning (HRP) may be defined as strategy for acquisition, utilization, improvement and preservation of the human resources of an enterprise. The objective is to provide right personnel for the right work and optimum utilization of the existing human resources.

Every employee must be provided with his job description as to how to perform his duties, limitations or boundaries in his duties, to whom he has to report and answerable, code of conduct, punctuality and discipline and safety procedure that is to be followed in case of Performing hazardous jobs. Having a job description document with employee, helps employer in dealing with employees especially in the circumstances when an employee proceed legally against employer for .rejecting his/her claiming of compensation for the accident happened during the course of employment or for taking disciplinary action against employees who committed wrong. Circumstances could be like; employees especially who does hazardous jobs, must follow safety measures which are framed by the safety officer to avoid accidents. To those employees if any accident happens, he may claim for compensation on the statutory grounds framed by the Legislature. Here it is the task of HR manager to crosscheck with actual safety measures to be followed and safety measures followed at the time of occurrence of accident. If it is found that the victim did not follow actual safety measures to be followed, he may not be eligible to claim the compensation. The victim of accident cannot claim that he was not aware of safety measures to be followed while performing such job, since he was already provided with job description document having all details of his job as to how to be in his job. If it is found that the victim followed actual and safety measures to be followed, the victim has right to claim compensation in accordance with the statutory provisions framed by the Legislature (labour laws).

2.20 Glossary

- **Demand forecasting** is the process of estimating the future quantity and quality of people required. Demand forecasting is common among organisations, though they may not do personnel-supply forecasting. There are several good reasons to conduct demand forecasting.
- **Human Resources Audit (or HR Audit)** is a comprehensive method (or means) to review current human resources policies, procedures, documentation and systems to identify needs for improvement and enhancement of the HR function as well as to assess compliance with ever-changing rules and regulations.
- **Human resource planning (HRP)** is the continuous process of systematic planning ahead 'to achieve optimum use of an organization's most valuable asset—quality employees. Human resources planning ensure the best fit between employees and jobs while avoiding manpower shortages or surpluses.
- **HR demand forecasting** is the process of estimating the future quantity and quality of people required. The basis of the forecast must be the annual budget and long-term corporate plan, translated into activity levels for each function and department.
- **HR Supply forecasting** is the process of estimating availability of human resource followed after demand for testing of human resource.
- **Job forecasting** provides the critical knowledge that companies need so they can prepare in advance for changes in their industries.
- **Workforce management (WFM)** is an integrated set of processes that a company uses to optimize the productivity of its employees. WFM involves effectively forecasting labor requirements and creating and managing staff schedules to accomplish a particular task on a day-to-day and hour-to-hour basis.
- **Job** is a group of homogeneous tasks related by similarity of functions. When performed by an employee in an exchange for pay, a job consists of duties, responsibilities, and tasks (performance elements) that are (1) defined and specific, and (2) can be accomplished, quantified, measured, and rated.

- **Job Analysis** is a process to identify and determine in detail the particular job duties and requirements and the relative importance of these duties for a given job. Job Analysis is a process where judgements are made about data collected on a job.
- **Job Description** is a broad, general, and written statement of a specific job, based on the findings of a job analysis. It generally includes duties, purpose, responsibilities, scope, and working conditions of a job along with the job's title, and the name or designation of the person to whom the employee reports.
- **Job Specification** is a written statement of the minimum qualifications and traits that a person needs in order to perform the duties and undertake the responsibilities of a particular position. Specifications are developed as part of the job analysis process.

2.21 Answers to Self Check Exercise

1. For answer refer to section 2.2.
2. For answer refer to section 2.3.
3. For answer refer to section 2.5.
4. For answer refer to section 2.6.
5. For answer refer to section 2.8.
6. For answer refer to section 2.12.
7. For answer refer to section 2.15, 2.16 and 2.17.

2.22 Terminal Questions

1. What do you understand by human resource planning? Describe its characteristics.
2. Discuss the objectives of human resource planning. How the planning is carried at various levels in the organization?
3. Define Job Analysis.
4. Define Job description.

2.23 Suggested Readings

- Yoder D. Heneman. H.G, Turnbull J.G. and Stove C.H., "Handbook of Personnel Management and Labour Relations", McGraws Hill, NewYork.
- Gupta, S.K. and Joshi, R., "Human Resource Management, Kalyani Publishers.
- Prasad, L. M., "Human Resource Management", Sultan Chand and Sons.
- Rao, V S P, "Human Resource Management- Text and cases" Excel Books.
- Armstong, M., "Armstrong's Handbook of Human Resource Management Practices" Kogan, London.
- Mellow, J.A., "Strategic Human Resource Management" Thomson, Newyork.

---//---

Chapter-3

Recruitment & Selection

Structure

- 3.0 Learning Objectives
- 3.1 Introduction
- 3.2 Definitions
- 3.3 Purpose and Importance of Recruitment
- 3.4 Sources of Recruitment
 - 3.4.(a)i Merits of Internal Sources
 - 3.4.(a)ii Limitations of Internal Sources
 - 3.4.(b)i Merits of External Sources
 - 3.4 (b)ii Demerits of External Sources
- 3.5 Evaluation of External Sources
- 3.6 Recruitment Process
- 3.7 Criteria for Measuring Effectiveness of Recruitment Process
- 3.8 Selection
- 3.9 Difference between Recruitment and Selection
- 3.10 Steps involved in a Selection Process
- 3.11 Factors Affecting Selection Process
- 3.12 Self Check Exercise
- 3.13 Summary
- 3.14 Glossary
- 3.15 Answers to Self Check Exercise
- 3.16 Terminal Questions
- 3.17 Suggested Readings

3.0 Learning Objectives

After studying the lesson, you should be able to:-

1. Understand the meaning of recruitment and selection
2. know the purpose and Importance of recruitment
3. know the sources of recruitment
4. distinguish recruitment and selection
5. know various steps involved in selection process and factors affecting it.

3.1 Introduction

Recruitment means search of the prospective employee to suit the job requirements as represented by job specification-a technique of job analysis. It is the first stage in selection which makes the vacancies known to a large number of people and the opportunities that the organisation offers. In response to this knowledge, potential applicants would write to the organisation. The process of attracting people to apply is called recruitment. It concerned with the identification of sources from where the personnel can be employed and motivating them to offer themselves for employment.

3.2 Definitions

Dale S. Beach, "Recruitment is the development and maintenance of adequate manpower resources. It involves the creation of a pool of available labour upon whom the organisation can depend when it needs additional employees."

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

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

3.3 Purpose and Importance of Recruitment

Recruitment represents the first contact that a company makes with the personnel having potential to be employed*. From the point of view of potential candidates, recruitment is the process through which they come to know about the company and the nature of jobs that are being offered. Therefore, if recruitment process is carried on successfully, it serves the following purpose:

- Recruitment determines the present and future human resource requirements of the organisation in coordination with human resource planning activities and job analysis activities.
- It helps to increase the pool of potential personnel and the organisational has a number of options to choose from.
- It helps in increasing the success rate of selection process by rejecting the number of under-qualified and over-qualified job applicants.
- It reduces the probability that applicants, once selected and made available to the organisation, leave it after a short period of time.
- It helps in evaluating the effectiveness of various recruitment techniques and sources of recruitment.
- It helps to meet the organisation's legal and social obligations regarding composition of its workforce.

3.4 Sources of Recruitment

The various sources of recruitment are generally classified as internal source and external source:

3.4(a) Internal Sources: This refers to the recruitment from within the company. The various internal sources are promotion, transfer, past employees, job posting and internal advertisements.

3.4(a)i Merits of Internal Sources:

The internal recruitment has following merits:

- ✓ It helps the reorganisation in offering career development plans to its employees.

- ✓ Internal candidates may require less orientation and training than outside ones.
- ✓ It can act as a good motivator and morale-booster if the employees see promotions as a reward for and recognition of their hard work and efficiency.
- ✓ It facilitates better utilisation of skills, experience and qualifications of the existing employees.
- ✓ It is easy to induct existing employees into the work environment as they are normally familiar with the job, people and workplace.
- ✓ It is economical and less time-consuming when compared with external sources.
- ✓ It can enhance loyalty among employees as it allows them to feel more secure about their future in the organisation and thus ensures cordial industrial relations in the firm.

3.4(a)ii Limitations of Internal Sources:

The following are the limitations of the internal recruitment:

- ✓ It may restrict the option of recruiting a more diverse workforce, thereby keeping a large pool of potential employees in the labour market unutilized.
- ✓ It may provide an organisation with a better applicant but not necessarily the best applicants as it may be difficult to find the most suitable person for a job within the organisation itself.
- ✓ It can affect the unity and integrity of the organisation if the employees perceive the selection procedure as unfair and discriminatory.

3.4(b) External Sources: External sources refer to the practice of getting suitable persons from outside. The various external sources are advertisement, employment exchange, past employees, private placement agencies and consultants, walks-ins, campus recruitment, trade unions, etc.

The following external sources of recruitment are commonly used by the big enterprises:

- **Direct Recruitment:** An important source of recruitment is direct recruitment by placing a notice on the notice board of the enterprise specifying the details of the jobs available. It is also known as recruitment at factory gate. The practice of direct recruitment is generally followed for filling casual vacancies requiring unskilled workers. Such workers are known as casual or badli workers and they are paid remuneration on daily-wage basis. This method of recruitment is very cheap as it does not involve any cost of advertising vacancies.
- **Casual Callers or Unsolicited Applications:** The organisations which are regarded as good employers draw a steady stream of unsolicited applications in their offices. This serves as a valuable source of manpower. If adequate attention is paid to maintain pending application folders for various jobs, the personnel department may find the unsolicited applications useful in filling the vacancies whenever they arise. The merit of this source of recruitment is that it avoids the costs of recruiting workforce from other sources.
- **Media Advertisement:** Advertisement in newspapers or trade and professional journals is generally used when qualified and experienced personnel are not available from other sources. Most of the senior positions in industry as well as commerce are filled by this method. The advantage of advertising is that more information about the organization job descriptions and job specifications can be given in advertisement to allow self-screening by the prospective candidates. Advertisement gives the management a wider range of candidates from which to choose. Its disadvantage is that it may bring in a flood of response, and many times, from quite unsuitable candidates.

- **Employment Agencies:** Employment exchanges run by the Government are regarded as a good source of recruitment for unskilled, semi-skilled and skilled operative Jobs. In some cases, compulsory notification of vacancies to the employment exchange is required by law. Thus, the employment exchanges bring the jobs givers in contact with the job seekers. However, in the technical and professional area, private agencies and professional bodies appear to be doing most of the work. Employment exchanges and selected private agencies provide a nation-wide service in attempting to match personnel demand and supply.
- **Management Consultants:** Management consultancy firms help the organisations to recruit technical, professional and managerial personnel. They specialise middle level and top level executive placements. They maintain data bank of persons with different qualifications and skills and even advertise the jobs on behalf of their clients to recruit right type of personnel.
- **Educational Institutions or Campus Recruitment:** Jobs in commerce and industry have become increasing technical and complex to the point where school and college degrees are widely required. Consequently big organisations maintain a close liaison with the universities, vocational institutes and management institutes for recruitment to various jobs. Recruitment from educational institutional is a well - established practice of thousand of business and other organisations. It is also known as campus recruitment. Reputed industrial houses which require management trainees send their officials to campuses of various management institutes for picking up talented candidates doing MBA.
- **Recommendation:** Applicants introduced by friends and relatives may prove to be a good source of recruitment in fact, many employers prefer to take such persons because something about their background is known. When a present-employee or a business friend recommends someone for a job, a type of preliminary screening is done and the person is placed on a job.
- **Labour Contractors:** Labour contractors are an important source of recruitment in some industries in India. Workers are recruited through labour contractors who are themselves employees of the organisation. The disadvantage of this System is that if the contractor leaves the organisation, all the workers, employed through him will also leave. That is why this source of labour is not preferred by many businesses, organizations. Recruitment through labour contractors has been banned for the public sector units.
- **Telecasting:** The practice of telecasting of vacant posts over audio-visual media is gaining importance these days. Special programmes like Job Watch, Youth Pulse, Employment News, etc, over the Television have become quite popular in recruitment for various types of jobs. The detailed requirements of the job and the qualities required to do it are publicized along with the profile of the organisation where vacancy exists. The use of Television as a source of recruitment is less as compared to other sources.
- **Raiding:** Raiding is a technical term used when employees working elsewhere are attracted to join organisations. The organisations are always on the lookout for qualified professionals, and are willing to offer them a better deal if they make the switch. There are always some employees who are professionally very competent, but dissatisfied with something or the other in the organisation. They form the easy group to attract. The other group is formed of those who are equally competent but are quite satisfied with their present position. To attract them, the organisation has to offer a very lucrative package of perquisites. Whatever may be the means used to attract, often it is seen as an unethical practice and not openly talked about.

3.4(b)i Merits of External Sources

The merits of external sources of recruitment are as under:

- **Qualified Personnel:** By using, external sources of recruitment the management can make qualified and trained people to apply for vacant Jobs in the organisation.
- **Wider Choice:** When vacancies are advertised widely a large number of applicants from outside the organisation apply. The management has a wider choice while selecting the people for employment.
- **Fresh Talent:** The insiders may have limited talents. External sources facilitate infusion of fresh blood with new ideas into the enterprise. This will improve the overall working of the enterprise.
- **Competitive Spirit:** If a company can tap external sources, the existing staff will have to compete with the outsiders. They will work harder to show better performance.

3.4(b)ii Demerits of External Sources

The demerits of filling vacancies from external sources are as follows:

- **Dissatisfaction among Existing Staff:** External recruitment may lead to dissatisfaction and frustration among existing employees. They may feel that their chances of promotion are reduced.
- **Lengthy Process:** Recruitment from outside takes a long time. The business has to notify the vacancies, and wait for applications to initiate the selection process.
- **Costly Process:** It is very costly to recruit staff from external sources. A lot of money has to be spent on advertisement and processing of applications.
- **Uncertain Response:** The candidates from outside may not be suitable for the enterprise. There is no guarantee that the enterprise will be able to attract right kinds of people from external sources.

3.5 Evaluation of External Sources

A company cannot fill all its vacancies from one single source. It must carefully combine some of these sources, weighing their cost and flexibility, the quality of men they supply, and their effect on the present work force. Following are some of the measures which can be used to assess how good or how poor various sources have proved to be:

- **Time lag between Requisition and Placement:** The basic statistics needed to estimate the time lag are the time-lapse data. To take an example, a company's past experience may show that the average number of days from application to interview is 15 from interview to offer is 5, from offer to acceptance is 7 and from acceptance to report for work is 21. Therefore, if the company begins its recruitment and selection process today, the best estimate is that it will be 48 days before the new employee is added to the pay-roll. With this information, the length of the pipe-line for alternative sources of recruitment can be described and suitable recruiting sources chosen.

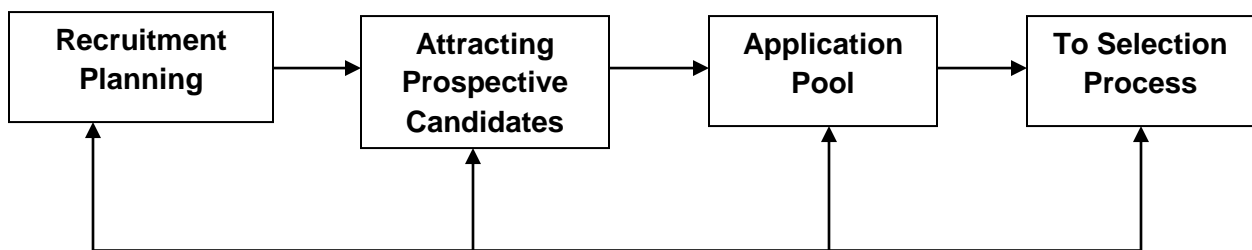
Yield Ratios: These ratios tell us about the number of leads/contacts needed to generate a - given number of hires in a given time. To take an example, suppose a company is contemplating expansion and needs 10 additional engineers in the next 6 months. On the basis of its past experience the company predicts as under: We must extend offers to 2 candidates to gain one acceptance. If we need 10 engineers we will have to extend 20 offers. Further, if the interview-to-offer ratio has been 3:2 then 30 interviews must be conducted and since the

invitees to interview ratio is 4:3 then as many as 40 candidates must be invited. Finally, if contacts or leads required to find suitable candidates to invite are in 6:1 proportions then 240 contacts be made.

- **Employee Attitude Studies:** These studies try to discover the reactions of present employees to both external and internal sources of recruitment.
- **Correlation Studies:** These studies tell us about the extent of correlation which, exists between different sources of recruitment and factors of success on the job.

3.6 Recruitment Process:

Recruitment is a process consisting of various activities through which search of prospective personnel-both in quantity and quality as indicated by HR Planning and job description and job specification is made. This process includes recruitment planning, attracting prospective candidates, and receiving applications from them: These applications are then passed on to selection process as shown in the figure:-



Evaluation and Control
Figure 3.1: Recruitment Process

- **Recruitment Planning:** Recruitment process starts with its planning which involves the determination of number of applications and type of applications to be contacted.
- **Number of Contacts:** Organisations plan to attract more applicants than what they intend to select as they wish to have option in selecting the right candidates. This option is required because some of the candidates may not be interested in joining the organisation; some of them may not meet the criteria of selection. Therefore, each time a recruitment programme is contemplated, the organisation has to plan about the number of applications it should receive in order to fulfill all its vacancies with right personnel. The number of applicants is determined by Yield ratio (YR) which expresses the relationship of applicant inputs at various decision points. For example: Suppose that an organisation has received 1,000 applications for certain number of vacancies of a position, Yield Ratio at various decision points would be as follows:

Screening of applications (900 qualified) YR= 9:10

Selection Tests (700 Appeared) YR = 7:9

Test Results (300 Passed) = 3:7

Interview (100 Passed) = 1:3

Jobs Offered to 50 YR = 1:2

Joined 40 YR = 4:5

Total Yield Ratio 40 = 1,000 or 4:100

Yield Ratio helps in determining the number of applications to be solicited to fill-up the vacancies successfully.

- **Type of Contacts:** This refers to the type of personnel to be informed about the job openings based on job description and job specification. This determines how the prospective personnel may be communicated about the job openings.
- **Attracting Prospective Candidates:** After the finalization of recruitment plan indicating the number and type of prospective candidates, they must be attracted to offer themselves for consideration of their employment. In attracting prospective candidates, three issues are involved and they are as follows:
 - i. The organisation should decide whether recruitment and selection will be undertaken by it or this process will be undertaken by an outside agency.
 - ii. If the recruitment process is undertaken by organisation itself, it has to decide from where prospective candidates may be attracted. There are various alternative sources of recruiting candidates from external sources which the organisation can tap and use relevant method for attracting prospective candidates.
 - iii. The organisation should decide about the person who will initiate the process of attracting prospective candidates and receiving applications from these candidates. In large organisation having HR department, this is done by HR department and the concerned persons handle all these activities.
- **Application Pool:** Whatever method of recruitment is used, the ultimate goal is to attract as many candidates as possible so as to have flexibility in selection. When the sources of recruitment are contacted the organisation receives applications from prospective candidates. The number of applications depends upon the type of organisation, the type of jobs, and the conditions of specific HR market. The number of application depends on the image of the organisation. An organisation having better image is able to attract more number of applications. Various applications received for a particular job are pooled together which become the basis for selection process.
- **Evaluation and Control of Recruitment:** It is the last stage of a recruitment process. In any process, it is required to ensure that the process has gone well in the light of its stated objective and costs. Thus, evaluation and control of recruitment should be based on its objectives and costs. The basic objective of recruitment is to attract maximum number of suitable applicants. Costs involved in recruitment includes:
 - Cost of salary and other perquisites of recruiters.
 - Management and professional time spent on preparing job descriptions, job specifications, advertisements, agency etc.
 - Cost of advertisement or other recruitment methods such as cost of campus recruitment, consultant's fee and others.
 - Cost of producing supporting literature.
 - Recruitment overheads and administrative expense.
 - Cost of overtime and outsourcing while the vacancies remain unfilled.
 - Post of recruiting unsuitable candidates for the selection process. .

3.7 Criteria for Measuring Effectiveness of Recruitment Process:

The nature of criteria to measure the effectiveness of recruitment process are as follows:

- ✓ Type of organisational image that has been created in the mind of prospective candidates.

- ✓ Number of applications received.
- ✓ Number of applicants rejected at different stages of recruitment and selection process.
- ✓ Ratio of candidates selected and rejected.
- ✓ Ratio of candidates selected and candidates joined.
- ✓ Number of candidates joined and candidates retained over a period of time.
- ✓ Performance of the candidates joined and remained with the organisation, and monetary costs involved in recruitment.

Such an evaluation may provide ways to the organisation for developing its strategy for further recruitment programmes.

3.8 Selection

Human resource selection is the process of choosing qualified individuals who are available to fill positions in an organization. In the ideal personnel situation, selection involves choosing the best applicant to fill a position. Selection is the process of choosing people by obtaining and assessing information about the applicants with a view to matching these with the job requirements. It involves a careful screening and testing of candidates who have put in their applications for any job in the enterprise. It is the process of choosing the most suitable persons out of all the applicants. The purpose of Selection is to pick up the right person for every job.

It can be conceptualised in terms of either choosing the fit candidates, or rejecting the unfit candidates, or a combination of both. Selection involves both because it picks up the fits and rejects the unfits. In fact, in Indian context, there are more candidates who are rejected than those who are selected in most of the selection processes. Therefore, sometimes, it is called a negative process in contrast to positive programme of recruitment.

Definitions

Dale Yoder, "Selection is the process in which candidates for employment are divided into two classes-those who are to be offered employment and those who are not".

Thomas Stone, "Selection is the process of differentiating between applicants in order to identify (and hire) those with a greater likelihood of success in a job".

Michael Jucius, "The selection procedure is the system of functions and devices adopted in a given company for the purpose of ascertaining whether or not candidates possess the qualifications called for by a specific job or for progression through a series of jobs."

Keith Davis, "Selection is the process by which an organisation chooses from a list of screened applicants, the person or persons who best meet the selection criteria for the position available."

Dale Yoder Says, "Selection has long held a high rank in the priority of problem areas in management. Investments in good people produce a very high rate of return. A good choice of people can provide a basis for long, sustained contributions."

Thus, the selection process is a tool in the hands of management to differentiate between the qualified and unqualified applicants by applying various techniques such as interviews, tests etc. The cost incurred in recruiting and selecting any new employee is, expensive. The cost of selecting people who are inadequate performers or who leave the organisation before contributing to profits proves a major cost of doing business.

Objectives of Selection:

Decenzo and Robbins write, "Proper selection of personnel is obviously an area where effectiveness - choosing competent workers who perform well in their position-can result in large saving." According to them, selection has two objectives:

- To predict which job applicants would be successful if hired and
- To inform and sell the candidate on the job and the organization. Satisfaction of employee needs and wants as well as the fullest development of his potential are important objectives of selection.

3.9 Difference between Recruitment and Selection:

Difference between recruitment and selection has been described by Flippo as, "Recruitment is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation. It is often termed positive as it stimulates people to apply for jobs, selection on the other hand tends to be negative because it rejects a good number of those who apply, leaving only the best to be hired." Recruitment and selection differs in following manner:

- **Difference in Objective:** The basic objective of recruitment is to attract maximum number of candidates so that more options are available. The basic objective of selection is to choose best out of the available candidates.
- **Difference in Process:** Recruitment adopts the process of creating application pool - as large as possible and therefore. It is known as positive process. Selection adopts the process through which more and more candidates are rejected and fewer candidates are selected or sometimes even not a single candidate is selected. Therefore, it is known as negative process or rejection process.
- **Technical Differences:** Recruitment techniques are not very intensive, and not require high skills. As against this, in selection process, highly specialised techniques are required. Therefore, in the selection process, only personnel with specific skills like expertise in using selection tests, conducting interviews, etc., are involved.
- **Difference in Outcomes:** The outcome of recruitment is application pool which becomes input for selection process. The outcome of selection process is in the form of finalising candidates who will be offered jobs.

3.10 Steps involved in a Selection Process:

- Selection process depends on the number of candidates that are available for selection.
- Selection process depends on the sources of recruitment and the method that is adopted for making contact with the prospective candidates.
- Various steps involved in as selection process depend on the type of personnel to be selected.

All the above factors are not mutually exclusive, rather these operate simultaneously. In any case, the basic objective of a selection process is to collect as much relevant information about the candidates as is possible so that the most suitable candidates are selected.

A comprehensive selection process involves the various steps as shown in Figure below:

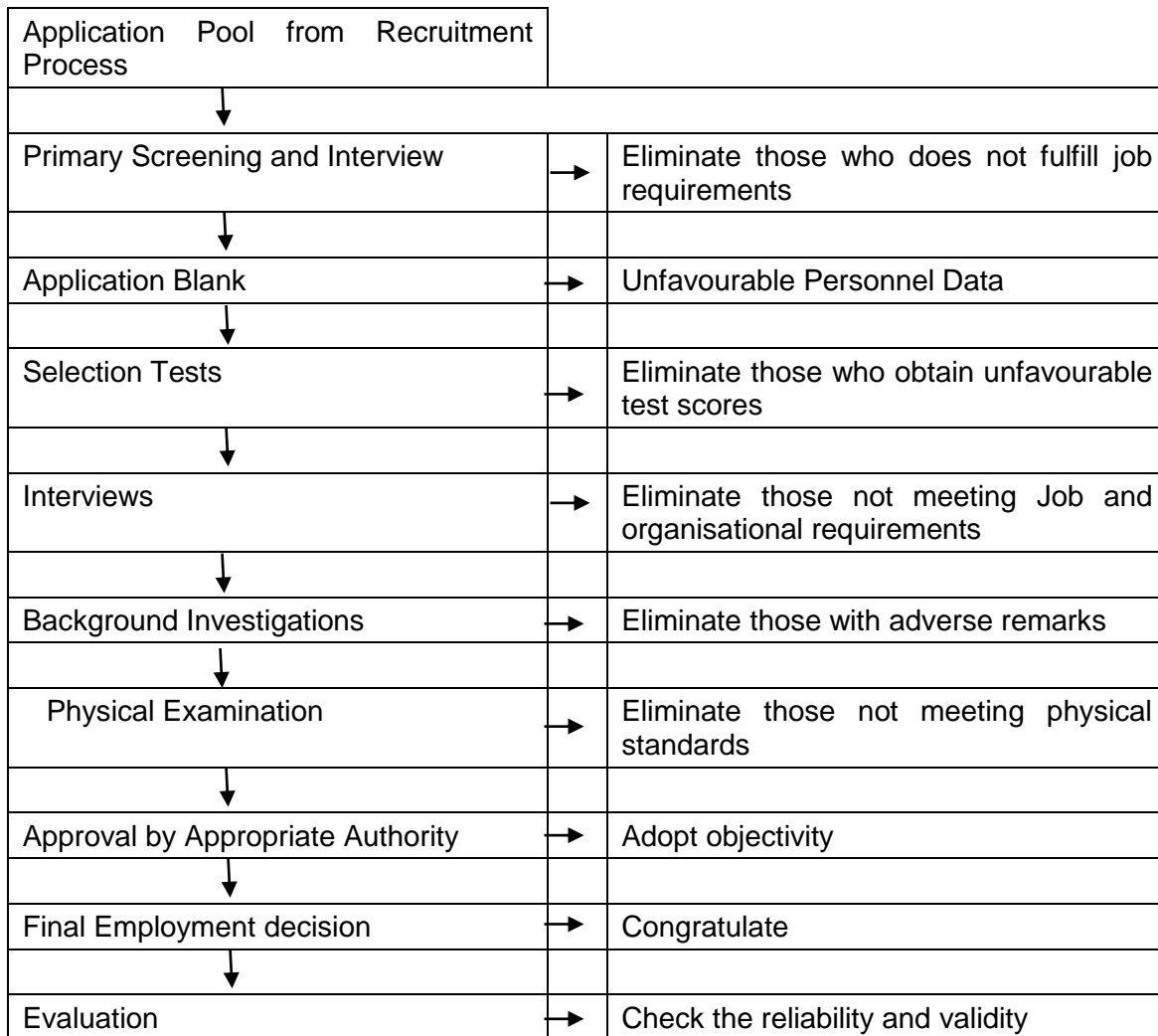


Figure 3.2 Steps in Selection Process

Step 1- Application Pool: Application pool built-up through recruitment process is the base for selection process. The basic objective at the recruitment level is to attract as much worthwhile applications as possible so that there are more options available at the selection stage.

Step 2- Preliminary Screening and Interview: It is highly noneconomic to administer and handle all the applicants. It is advantageous to sort out unsuitable applicants before using the further selection Steps. For this purpose, usually, preliminary interviews, application blank lists and short test can be used. All applications received are scrutinised by the personnel department in order to eliminate those applicants who do not fulfill required qualifications or work experience or technical skill, his application will not be entertained. Such candidate will be informed of his rejection. Preliminary interview is a sorting process in which the prospective candidates are given the necessary information about the nature of the job and the organisation. Necessary information is obtained from the candidates about their education, skills, experience, expected salary etc. If the candidate is found suitable, he is selected for further screening. This courtesy interview; as it is often called helps the department screen out obvious misfits. Preliminary interview saves time and efforts of both the company and the candidate. It avoids unnecessary waiting for the rejected candidates and waste of money on further

processing of an unsuitable candidate. Since rejection rate is high at preliminary interview, the interviewer should be kind, courteous, receptive and informal.

Step-3 Application Blank or Application Form: An application blank is a traditional widely accepted device for getting information from a prospective applicant which will enable the management to make a proper selection. The blank provides preliminary information as well as aid in the interview by indicating areas of interest and discussion. It is a good means of quickly collecting verifiable (and therefore fairly accurate) basic historical data from the candidate. It also serves as a convenient device for circulating information about the applicant to appropriate members of management and as a useful device for storing information for, later reference. Many types of application forms, sometimes very long and comprehensive and sometimes brief, are used. Information is generally taken on the following items:

- (a) **Biographical Data:** Name, father's name, date and place of birth, age, sex, nationality, height weight, identification marks, physical disability, if any marital status, and number of dependants.
- (b) **Educational Attainment:** Education (subjects offered and grades secured), training acquired in special fields and knowledge gained from professional/technical institutes or through correspondence courses.
- (c) **Work Experience:** Previous experience, the number of jobs held with the same or other employers, including the nature of duties, and responsibilities and the duration of various assignments, salary received, grades, and reasons for leaving the present employer.
- (d) **Salary and Benefits:** Present and expected.
- (e) **Other Items:** Names and addresses of previous employers, references, etc. An application blank is a brief history sheet of an employee's background and can be used for future reference, in case needed.

The application blank must be designed from the viewpoint of the applicant as well as with the company's purpose in mind. It should be relatively easy to handle in the employment office. Application form helps to serve many functions like:

- Its main usefulness is to provide information for reference checking, good interviewing, and correlation with testing data.
- It helps to weed out candidates who are lacking in education, experience or some other eligibility traits.
- It helps in formulating questions to be asked in the interview.
- Data contained in application form can be stored for future reference.
- It also tests the candidate's ability to write, to organize his thoughts, and to present facts clearly and succinctly.
- It indicates further whether the applicant has consistently progressed to better jobs. It provides factual information.

✓ **Weighted Application Blanks:** Some organisations assign numeric values or weights to the responses provided by the applicants. This makes the application form more job related. Generally, the items that have a strong relationship to job performance are given higher scores. For example, for a sales representative's position, items such as previous selling experience, area of specialisation, commission earned, religion, language etc. The total score of each applicant is then obtained by adding the weights of the individual item responses. The resulting scores are then used in the final selection.

WAB is best suited for jobs where there are many employees especially for sales and technical jobs. It can help in reducing the employee turnover later on.

However, there are several problems associated with Weighted Application Blank e.g.

- It takes time to develop such a form.
- The WAB would have to be updated every few years to ensure that the factors previously identified are still valid products of job success.
- The organisation should be careful not to depend on weights of a few items while finally selecting the employee.

Step-4 Selection Tests: Many organisations hold different kinds of selection tests to know more about the candidates or to reject the candidates who cannot be called for interview etc. Selection tests normally supplement the information provided in the application forms. Such forms may contain factual information about candidates. Selection tests may give information about their aptitude, interest, personality, which cannot be known by application forms. Types of tests and rules of good of testing have been discussed in brief below:

- A. Aptitude Tests:** These measure whether an individual has the capacity or talent ability to learn a given job if given adequate training. These are more useful for clerical and trade positions.
- B. Personality Tests:** At times, personality affects job performance. These determine personality traits of the candidate such as cooperativeness, emotional balance etc. These seek to assess an individual's motivation, adjustment to the stresses of everyday life,*capacity for interpersonal relations and self-image.
- C. Interest Tests:** These determine the applicant's, interests. The applicant is asked whether he likes, dislikes, or is indifferent to many examples of school subjects, occupations, amusements, peculiarities of people, and particular activities.
- D. Performance Tests:** In this test the applicant is asked to demonstrate his ability to do the job. For example, prospective typists are asked to type several pages with speed and accuracy.
- E. Intelligence Tests:** This aim at testing the mental capacity of a person with respect to reasoning, word fluency, numbers, memory, comprehension, picture arrangement, etc. It measures the ability to grasp, understand and to make judgement.
- F. Knowledge Tests:** These are devised to measure the depth of the knowledge and proficiency in certain skills already achieved by the applicants such as engineering, accounting etc.
- G. Achievement Tests:** Whereas aptitude" is a capacity to learn- in the future, achievement is concerned with what one has accomplished. When applicants claim to know something, an achievement test is given to measure how well they know it.
- H. Projective Tests:** In these tests the **APPLICANT** projects his personality into free responses about pictures shown to him which are ambiguous.

✓ Rules of Good Testing

- Norms-should be developed for each test. Their validity and reliability for a given purpose should be established before they are used.
- Adequate time and resources must be provided to design, validate, and check tests.

- Tests should be designed and administered only by trained and competent persons.
- The user of tests must be extremely sensitive to the feelings of people about tests.
- Tests are to be used as a screening device.
- Reliance should not be placed solely upon tests in reaching decisions.
- Tests should minimize the probabilities of getting distorted results. They must be 'race-free'.
- Tests scores are not precise measures. They must be assigned a proper weightage.

Step-5 Interview: An interview is a procedure designed to get information from a person and to assess his potential for the job he is being considered on the basis of oral responses by the applicant to oral inquiries by the interviewer. Interviewer does a formal in- depth conversation with the applicant, to evaluate his suitability. It is one of the most important tools in the selection process. This tool is used when interviewing skilled, technical, professional and even managerial employees. It involves two-way exchange of information. The interviewer learns-about the applicant and the Candidate learns about the employer.

✓ **Objectives of Interviews:** Interview helps:

- To obtain additional information from the candidate.
- Facilities given to the candidate and information about the job, company, its policies, products and other requisites.
- To assess the basic suitability of the candidate.

✓ **The selection interview can be:**

- One to one between the candidate and the interviewer:
- Two or more interviewers by employers representatives-sequential;
- By a panel of selections, i.e., by more than representative of the employer.

The sequential interview involves a series of interviews; each interviewer meeting the candidate separately. The panel interview consists of two or more interviews meeting the candidate together.

✓ **Types of interviews:** Interviews can be classified in various ways according to:

- (A) Degree of Structure
- (B) Purpose of Interview
- (C) Content of Interview

(A) Degree of Structure:

- **Unstructured or non directive:** in which you ask questions as they come to mind. There is no set format to follow.
- **Structured or directive:** in which the questions and acceptable responses are specified in advance. The responses are rated for appropriateness of content. Structured and non-structured interviews have their pros and cons. In structured interviews all applicants are generally asked all required questions by all interviewers. Structured interviews are generally more valid. However structured interviews do not allow the flexibility to pursue points of interests as they develop.

(B) Purpose of interview: A selection interview is a type of interview designed to predict future job performance, on the basis of applicant's responses to the oral questions asked to him.

- **Stress Interview** is a special type of selection interview in which the applicant is made uncomfortable by series of awkward and rude questions. The aim of stress interview is supposedly to identify applicant's low or high stress tolerance. In such an interview the applicant is made uncomfortable by throwing him on the defensive by series of frank and often discourteous questions by the interviewer.

(C) Content of Interview: The content of interview can be of a type in which individual's ability to project a situation is tested. This is a situation type interview.

- In job-related interview, interviewer attempts to assess the applicant's past behaviours for job related information, but most questions are not considered situational.
- In a behaviour interview a situation is described and candidates are asked how they behaved in the past in such a situation.
- In Situational interviews candidates are asked to describe how they would react to situation today or tomorrow. In the behavioural interview they are asked to describe how they did react to the situation in the past.

✓ **Principles of Interviewing:** To make it effective, an interview should be properly planned and conducted on certain principles; Edwin B. Flippo has described certain rules and principles of good interviewing to this end:

- Provide proper surroundings. The physical setting for the interview should be both private and comfortable.
- The mental setting should be one of rapport. The interviewer must be aware of nonverbal behaviour.
- Plan for the interview by thoroughly reviewing job specifications and job descriptions.
- Determine the specific objectives and the method of the interviewing.
- Inform yourself as much as possible concerning the known information about the interviewee.
- The interviewer should possess and demonstrate a basic liking and respect for people.
- Questions should be asked in a manner that encourages the interviewee to talk. Put the applicant at ease.
- Make a decision only when all the data and information are available. Avoid decisions that are based on first impressions.
- Conclude the interview tactfully, making sure that the candidate leaves feeling neither too elated nor frustrated,
- Maintain some written record of the interview during or immediately after it.
- Listen attentively and, if possible, protectively.
- Questions must be stated clearly to avoid confusion and ambiguity. Maintains balance between open and overtly structured .questions.
- 'Body language' must not be ignored.
- The interviewer should make some overt sign to indicate the end of the interview.

Interviewing is largely an art, the application of which can be improved through practice.

Step-6 Background Investigation: The next step in the selection process is to undertake an investigation of those applicants who appear to offer potential as employees. This may include contacting former employers to confirm the candidate's work record and to obtain their appraisal of his or her performance/ contacting other job-related and personal references, and verifying the educational accomplishments shown on the application.

The background investigation has major implications. Every personnel administrator has the responsibility to investigate each potential applicant. In some organization, failure to do so could result in the loss of his or her job. But many managers consider the background investigation data highly biased. Who would actually list a reference that would not give anything but the best possible recommendation? The seasoned personnel administrator expects this and delves deeper into the candidate's background, but that, too, may not prove to be beneficial. Many past employers are reluctant to give any information to another company other than factual information (e.g., date of employment).

Even though there is some reluctance to give this information, there are ways in which personnel administrators can obtain it. Sometimes, for instance information can be obtained from references once removed. For example, the personnel administrator can ask a reference whose name has been provided on the application form to give another reference, someone who has knowledge of the candidate's work experience. By doing this, the administrator can eliminate the possibility of accepting an individual based on the employee's current employer's glowing-recommendation when the motivation for such a positive recommendation was to get rid of the employee.

Step-7 Physical Examination: After the selection decision and before the job offer is made, the candidate is required to undergo physical fitness test. Candidates are sent for physical examination either to the company's physician or to a medical officer approved for the purpose. Such physical examination provides the following information.

- Whether the candidate's physical measurements are in accordance with job requirements or not?
- Whether the candidate suffers from bad health which should be corrected?
- Whether the candidate has health problems or psychological attitudes likely to interfere with work efficiency or future attendance?
- Whether the candidate is physically fit for the specific job or not?

Policy on these physical exams has changed today.

Dale Yoder writes, "Modern policy used the physical examination not to eliminate applicants, but to discover what jobs they are qualified to fill. The examination should disclose the physical characteristics of the individual that are significant from the standpoint of his efficient performance of the job he may enter or of those jobs to which he may reasonably expect to be transferred or promoted. It should note deficiencies, not as a basis for rejection, but as indicating restrictions on his transfer to various positions also."

Step-8 Approval by Appropriate Authority: On the basis of the above steps, suitable candidates are recommended for selection by the selection committee or personnel department. Though such a committee or personnel department may have authority to select the candidates finally, often it has staff authority to recommend the candidates for selection to the appropriate authority.

Organisations may designate the various authorities for approval of final selection of candidates for different categories of candidates. Thus, for top level managers board of directors may be approving authority; for lower levels, even functional heads concerned may be approving authority.

Step-9 Final Employment Decision: After a candidate is finally selected, the human resource department recommends his name for employment. The management or board of the company offers employment in the term of an appointment letter mentioning the post, the rank, the salary grade, the date by which the candidate should join and other terms and conditions of employment. Some firms make a contract of service on judicial paper.

Usually an appointment is made on probation in the beginning. The probation period may range from three months to two years. When the work and conduct of the employee is found satisfactory, he may be confirmed.

The personnel department prepares a waiting list and informs the candidates. In case a person does not join after being selected, the company calls next person on the waiting list.

Step-10 Evaluation: The selection process, if properly performed, will ensure availability of competent and committed personnel. A period audit, conducted by people who work independently of the human resource department, will evaluate the effectiveness of the selection process. The auditors will do a thorough and the intensive analysis and evaluate the employment programme.

3.11 Factors Affecting Selection Process

There are certain factors affect selection process adversely and act as barriers to effective selection process. As a result, selection process tends to give faulty results. The factors are as follows:

- **Misperception:** Perception is involved in every walk of human life, including selection of candidates in a selection process. Perception is the process through which an individual interprets his sensory impressions to give meaning to objects, persons and others. If this perception is correct, rational decision is made about the element being perceived. However, there are certain factors which lead to misperception. The factors which leads to misperception in case of selection process are as follows: (i) personality features of a selector as he prefers a candidate more whose personality features match with his personality features though the personality features of the candidates may not match with job requirements (ii) matching of place of origin, educational institution and other relations of the candidates with those of the selector. In this case, there is a possibility that wrong candidate may be selected.
- **Discrimination:** In theory, there is no discrimination based on region, caste, gender, place of origin, and others in practice, discrimination is made on these bases. Many selectors tend to give more weightage to candidates belonging to their own religion, caste, or place of origin. Similarly, many male selectors do not prefer to select female candidates. This is the case with female selectors too. As a result, selection process does not yield fair result.
- **Lack of Validity and Reliability of Selection Tools:** There are two types of tools that are used in selection process: selection tests and selection interview. You have seen earlier that in many cases, selection tests are neither valid nor reliable. Similarly, there are many deficiencies in interview too as discussed earlier. Thus, selection process gives faulty results.
- **Pressure:** In many cases, pressure is put on selection to select particular candidates. Such a pressure is more prevalent in public sector organisations. In many cases, politicians, bureaucrats, put pressures on selectors. Similar type of pressure is put by relatives and friends of a candidate even in private sector organisations. This type of pressure makes the selection process faulty.

3.12 Self Check Exercise

1. Define Recruitment.
2. Define Selection. Discuss in brief the objectives of selection.

3. Discuss in brief the merits of internal sources of recruitment.
4. Write a short note on recruitment process.
5. What are the steps involved in selection process.

3.13 Summary

If the HR department fails to indentify the quality and the number of persons to be recruited and also fails to procure the services of persons with required qualifications, skill and caliber continuously, a time may come ultimately when all the qualified persons have retired and no qualified person remains in the organisation. Therefore, the importance of recruitment in search of right type of person at the right time is indispensable to the organisation.

Selection is the process of picking up individuals out of the pool of the job applicants with requisite qualifications and competence to fill jobs in the organisation. Proper selection can minimize the costs of replacement and training, reduce legal challenges, and result in a more productive work force.

Selection has two objectives: (1) to predict which job applicants would be successful if hired and (2) to inform and sell the candidate on the job and the organization. Unfortunately, these two objectives are not always compatible putting a job candidate through hours of filling out forms, taking tests, and completing interviews rarely endears the organization to the candidate. These are tiresome and often stressful activities. Yet if the selection activities place too great an emphasis on public relations, obtaining the information needed to make successful selection decisions may be subordinated. Hence a manager's dilemma in selection is how to balance the desire to attract people with the desire to gather relevant selection data.

Selection process involves mutual decision making. The organisation decides whether or not to make a job offer and how attractive the job offer should be. The candidate decides whether or not the organisation and the job offer is according to his goals and needs. Selection of proper personnel helps the management in getting the work done by the people effectively.

3.14 Glossary

- Recruitment is a positive process of searching for prospective employees and stimulating them to apply for the jobs in the organisation. The term recruitment refers to discovering the source from where potential employees may be selected.
- Selection is the process of choosing the most suitable candidate for the vacant position in the organization. In other words, selection means weeding out unsuitable applicants and selecting those individuals with prerequisite qualifications and capabilities to fill the jobs in the organization.
- Selection Process is the process of selection and short-listing of the right candidates with the necessary qualifications and skill set to fill the vacancies in an organisation.

3.15 Answers to Self Check Exercise

1. For answer refer to section 3.2
2. For answer refer to section 3.8
3. For answer refer to section 3.4(a)i
4. For answer refer to section 3.6
5. For answer refer to section 3.10

3.16 Terminal Questions

1. What do you mean by recruitment? Explain the external sources of recruitment of Managerial Personnel.
2. Explain the steps in the process of recruitment.
3. What do you understand by selection process? Discuss various steps involved in it.
4. Discuss various guidelines to be followed for an interview.

3.17 Suggested Readings

- Mamoria C.B., Gankar S.V., "A Textbook of Human Resource Management", Himalaya Publishing House, New Delhi.
- Dwivedi R.S., "Personnel Management in Indian Enterprises", Galgotia Publishing Company, New Delhi.
- Devid A. DeCENZO, STEPHEN P. ROBBINS, "Personnel/Human Resource Management", Prentice Hall of India, New Delhi.
- Prasad L.M., "Human Resource Management", "Sultan Chand & Sons, New Delhi.
- Dessler Gary, "Personnel Management", Prentice Hall International Editions, New Jersey.
- Carrell Michael R., Elbert Norbert F., Hatfield Robert D., "Human Resource Management," Prentice Hall, Englewood Cliffs, New Jersey.
- Mamoria C.B., Rao, VSP Personnel Management (Text and cases), Himalays Publishing, Mumbai.

---//---

Chapter-4

Career Development and Placement

Structure

- 4.0 Learning Objectives
- 4.1 Introduction
- 4.2 Process of Career Planning
- 4.3 Career Development
- 4.4 Career Planning and Development Methods
- 4.5 Steps in Career Development System
- 4.6 Challenges in Career Development
- 4.7 Succession Planning and Development
- 4.8 Placement
- 4.9 Self Check Exercise
- 4.10 Summary
- 4.11 Glossary
- 4.12 Answers to Self Check Exercise
- 4.13 Terminal Questions
- 4.14 Suggested Readings

4.0 Learning Objectives

After studying the lesson, you should be able to:-

1. know the concept of career planning and development
2. understand the process of career planning
3. know the steps in career development system
4. understand the challenges involved in career development
5. know the concept of placement.

4.1 Introduction

Career can be defined as a general course of action a person chooses to pursue throughout his or her working life.

According to Ball, Career management is defined as:

- Making career choices and decisions - the traditional focus of careers interventions. The changed nature of work means that individuals may now have to revisit this process more frequently now and in the future, more than in the past.
- Managing the organizational career-concerns the career management tasks of individuals within the workplace, such as decision-making, life-stage transitions, dealing with stress etc.

- Managing 'boundary less' careers - refers to skills needed by workers whose employment is beyond the boundaries of a single organization, a work style common among, for example, artists and designers.
- Taking control of one's personal development - as employers take less responsibility, employees need to take control of their own development in order to maintain and enhance their employability.

4.1(a) 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 programmes should not concentrate only on career growth opportunities. Practically speaking, there may not be enough high level positions to make upward mobility a reality for a large number of employees. Hence, career-planning efforts need to pinpoint and highlight those areas that offer psychological success instead of vertical growth.

Career planning is not an event or end in itself, but a continuous process of developing human resources for achieving optimum results. It must, however, be noted that individual and organisational career are not separate and distinct. A person who is not able to translate his career plan into action within the organisation may probably quit the job, if he has a choice. Organisations, therefore, should help employees in career planning so that both can satisfy each other's needs.

Career planning is an ongoing process through which an individual sets career goals and identifies the means to achieve them. The process by which individuals plan their life's work is referred to as career planning. Through career planning, a person evaluates his or her own abilities and interests, considers alternative career opportunities, establishes career goals, and plans practical developmental activities. Career planning is the process by which one selects career goals and the path to these goals. Career development is those personal improvements one undertakes to achieve a personal career plan. Career management is the process of designing and implementing goals, plans and strategies to enable the organization to satisfy employee needs while allowing individuals to achieve their career goals. So, due to this career planning and development is necessary to each and every employee in an organization. The need of career planning and-development is felt in each and every organization of today's global world.

4.1(b) Need for Career Planning

Every employee has a desire to grow and scale new heights in his workplace continuously. If there are enough opportunities, he can pursue his career goals and exploit his potential fully. He feels highly motivated when the organisation shows him a clear path as to how he can meet his personal ambitions while trying to realise corporate goals.

Unfortunately, as pointed out by John Leach, organisations do not pay adequate attention to this aspect in actual practice for a variety of reasons. The demands of employees are not matched with organisational needs, no effort is made to show how the employees can grow within certain limits, what happens to an employee five years down the line if he does well, whether the organisation is trying to offer mere jobs or long-lasting careers, etc. When recognition does not come in time for meritorious performance and a certain amount of confusion prevails in the minds of employees whether they are 'in' with a chance to grow or not, they look for greener pastures outside.

Key executives leave in frustration and the organisation suffers badly when turnover figures rise. Any recruitment effort made in panic to fill the vacancies is not going to be effective. So, the absence of a career plan is going to make a big difference to both the employees and the organisation. Employees do not get right breaks at a right time; their morale will be low and they are always on their toes trying to find escape routes.

Organisations are not going to benefit from high employee turnover. New employees mean additional selection and training costs. Bridging the gaps through short-term replacements is not going to pay in terms of productivity. Organisations, therefore, try to put their career plans in place and educate employees about the opportunities that exist internally for talented people. Without such a progressive outlook, organisations cannot prosper. Career Planning is necessary due to the following reasons:

1. To attract competent persons and to retain them in the organization.
2. To provide suitable promotional opportunities.
3. To enable the employees to develop and take them ready to meet the future challenges.
4. To increase the utilization of managerial reserves within an organization.
5. To correct employee placement.
6. To reduce employee dissatisfaction and turnover.
7. To improve motivation and morale.

4.1(c) 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.
6. More effective development of available talent.
7. Self-appraisal opportunities for employees considering new or non traditional career paths.
8. More efficient development of human resources within and among divisions and/or geographic locations.
9. A demonstration of a tangible commitment to EEO and affirmative action.
10. Satisfaction of employees' personal development needs.
11. Improvement of performance through on-the-job training experiences provided by horizontal and vertical career moves.
12. Increased employee loyalty and motivation, leading to decreased turnover.
13. A method of determining training and development needs.

4.1(d) Career Paths

Career paths have 'historically focused on upward mobility within a particular occupation. One of four types of career paths may be used: traditional, network, lateral, and dual.

- **Traditional Career Path** — an employee progresses vertically upward in the organization from one specific job to the next.
- **Network Career Path** — A method of career path that contains both a vertical sequence of jobs and a series of horizontal opportunities.

- **Lateral Skill Path** — traditionally, a career path was viewed as moving upward to higher levels of management in the organization.- The availability of the previous two options has diminished considerably in recent years. But this does not mean that an individual has to remain in the same job for life. There are often lateral moves within the firm that can be taken to allow an employee to become revitalized and find new challenges.
- **Dual-Career Path** — A career-path method, that recognizes that technical specialists can and should be allowed to continue to contribute their expertise to a company without having to become managers.
- **Adding Value to Retain Present Job** — Regardless of the career path pursued, today's workers need to develop a plan whereby they are viewed as continually adding value to the organization. If employees cannot add value, the company does not need them, and much of the evolving work environments cannot use them either. Workers must anticipate what tools will be needed for success in the future and obtain these skills. These workers-must look across company lines to other organizations to determine what skills are transferable, and then go and get them. Essentially, today's workers must manage their own careers as never before.
- **Demotion**—Demotions have long been associated with, failure, but limited promotional opportunities in the future and the fast pace of technological change may make them more legitimate career options.

4.2 Process of Career Planning

The career planning process involves the following steps:

- **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.
- **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.
- **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 second, undertake career development programmes with a view to align employee needs and organisational opportunities.
- **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.

4.3 Career Development

A Formal approach taken by an organization to help its people acquire the skills and experiences needed to perform current and future jobs is termed as career development. Company's policies especially policies regarding promotion, counseling the employees, opportunities to excel in future help employees to develop their career. Career development consists of skills, education and experiences as well as behavioral modification and refinement techniques that allow individuals to work better and add value.

Career development is an ongoing organized and formalized effort that recognizes people as a vital Organizational resource. It differs from training in that it has a wider focus, longer time frame, and broader scope. The goal of training is improvement in performance; the goal of development is enrichment and more capable workers. Recently, career development has come to be seen as a means for meeting both organizational and employee needs, as opposed to solely meeting the needs of the organization as it had done in the past. Now, organizations see career development as a way of preventing job burnout, providing career information to employees, improving the quality of work lives and meeting affirmative action goals. That is, career development must be seen as a key business strategy if an organization wants to survive in an increasingly competitive and global business environment.

Career Life Cycle Stages

Each person's career goes through stages that influence an individual's knowledge of, and preference for, various occupations. People change constantly and, thus, view their careers differently at various stages of their lives. Some of these changes result from the aging process and others from opportunities for growth and status. The main stages of the career cycle include the growth, exploration, establishment, maintenance, and decline.

1. **Growth Stage:** The growth stage is roughly from birth to age 14 and is a period during which an individual develops a self-concept by identifying and interacting with other people. Basically, during this stage an individual establishes his or her identity.
2. **Exploration Stage:** the exploration stage is the period roughly from ages 15 to 24, during which an individual seriously explores various occupational alternatives. The person attempts to match these occupational alternatives with his or her own interests and abilities resulting from education, leisure activities, and-work.
3. **Establishment Stage:** The establishment stage is roughly from ages 25 to 44 and is the primary part of most people's work lives. Hopefully, during this period, a suitable occupation is found and the person engages in those activities that help earn a permanent career. During this period, the individual is continually testing personal capabilities and ambitions against those of the initial occupational choice.
4. **Maintenance Stage:** Between the ages of 45 to 65, many people move from the stabilization-sub stage into the maintenance stage. During maintenance, the individual has usually created a place in the work world, and most efforts are directed at maintaining the career-gains earned.
5. **Decline, Stage:** As retirement becomes an inevitable reality, in the decline stage, there is frequently a period of adjustment, where many begin to accept reduced levels of power and responsibility.

4.4 Career Planning and Development Methods

There are numerous methods for career planning and development. Some currently utilized methods, most of which are used in various combinations are discussed as following:

- **Discussions with Knowledgeable Individuals:** In a formal discussion, the superior and subordinate may jointly agree on what type of career planning and development activities are best. In other instances, psychologists and guidance counselors provide this service. In an academic setting, colleges and universities often provide career planning and development information to students. Students often go to their professors for career advice.
- **Company Material:** Some firms provide material specifically developed to assist their workers in career planning and development. Such material is tailored to the firm's special

needs. In addition, job descriptions provide valuable insight for individuals to personally determine if a match exists with their strengths and weaknesses and specific positions considered.

- **Performance Appraisal System:** The firm's performance appraisal system can also be a valuable tool in career planning and development. Noting and discussing an employee's strengths and weaknesses with his or her supervisor can uncover developmental needs. If overcoming a particular weakness seems difficult or even impossible, an alternate career path may be the solution.
- **Workshops:** Some organizations conduct workshops lasting two or three days for the purpose of helping workers develop careers within the company. Employees define and match their specific career objectives with the needs of the company. At other times, workshops are available in the community that the company may send the worker to or workers may initiate the visit themselves.
- **Personal Development Plans (PDP):** Many employers encourage employees to write their own personal development plans. This is a summary of a person's personal development needs and an action plan to achieve them. Workers are encouraged to analyze their strengths and weaknesses.
- **Software Packages:** Some software packages assist employees in navigating their careers.
- **Career Planning Web Sites:** There are numerous Web sites available that provide career planning and career counseling as well as career testing and assessment.

4.5 Steps in Career Development System

Career development consists of the personal actions one undertakes to achieve a career plan. Career development looks at the long-term career effectiveness of employees. The actions for career development may be initiated by the individual himself or by the organisation. 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:

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

- **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.
- **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.
- **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.).

4.6 Challenges in Career Development

While most business people today agree that their organizations should invest in career development, it is not always clear exactly what form this investment should take. Before putting a career development program in place, management needs to consider three major challenges.

- **Who will be Responsible?** Many modern organizations have concluded that employees must take an active role in planning and implementing their own personal development plans. Situations have led companies to encourage their employees to take responsibility for their own development; these may include mergers, acquisitions, downsizing, and employee empowerment. However, employees need at least general guidance regarding the steps they can take to develop their careers, both within and outside the Company.
- **How Much Emphasis is Appropriate?** Too much emphasis on career enhancement can harm an organization's effectiveness. Employees with extreme career orientation can become more concerned about their image than their performance. Some warning signs a manager should be on the lookout for include a heavy focus on advancement opportunities, managing impressions, and socializing versus job performance. Serious side effects of career development programs include employee dissatisfaction, poor performance, and turnover in the event that it fosters unrealistic expectations for advancement.
- **How Will the Needs of a Diverse Work Force be met?** Companies need to break down the barriers some employees face in achieving advancement in order to meet the career development needs of today's diverse work force. In 1991, a government study revealed that women and minorities are frequently excluded from the informal career development activities like networking, mentoring, and participation in policymaking committees. Perhaps the best way a company can ensure that women and minorities have a fair chance at managerial and executive positions is to design a broad-based approach to employee development that is anchored in education and training. Another employee group that may need special consideration consists of dual-career couples. Common organizational approaches that are becoming increasingly popular in dealing with the needs of dual career couples are flexible work schedules, telecommuting, and the offering of child-care Services. Some companies have also been counselling couples in career management.

Advantages of Career Planning and Development

After learning about all the above things, we have to have a look on advantages of career planning and development. Both individuals and the organization are going to benefit from career planning and development. So the advantages are described below:

For Individuals:

1. The process of career planning helps the individual to have the knowledge of various career opportunities, his priorities etc.
2. This knowledge helps him select the career that is suitable to his life styles, preferences, family environment, scope for self development etc.
3. It helps the organization identify internal employees who can be promoted.
4. Internal promotions, up gradation and transfers motivate the employees, boost up their morale and also result in increased job satisfaction.
5. Increased job satisfaction enhances employee commitment and creates a sense of belongingness and loyalty to the organization.
6. Employee will await his turn of promotion rather than changing to another organization. This will lower employee turnover.
7. It improves employee's performance on the job by tapping their potential abilities and further employee turnover.
8. It satisfies employee esteem needs.

For Organizations:

A long-term focus of career planning and development will increase the effectiveness of human resource management. More specifically, the advantages of career planning and development for an organization include:

- Efficient career planning and development ensures the availability of human resources with required skill, knowledge and talent.
- The efficient policies and practices improve the organization's ability to attract and retain highly skilled and talent employees.
- The proper career planning ensures that the women and people belong to backward communities get opportunities for growth and development.
- The career plan continuously tries to satisfy the employee expectations and as such minimizes employee frustration.
- By attracting and retaining the people from different cultures, enhances cultural diversity.
- Protecting employees interest results in promoting organizational goodwill.

Limitations of Career Planning

Apart from advantages, there are some limitations. So, let us have a look at the limitations of career planning? Despite planning the career, employees face certain career problems. They are:

- **Dual Career Families:-** With the increase in career orientation among women, number of female employees is on increase. With this, the dual career families have also been on increase. Consequently, one of those family members might face the problem of transfer. This has become a complicated problem to organizations. Consequently other employees may be at disadvantage.

- **Low ceiling careers:-** Some careers do not have scope for much advancement. Employees cannot get promotions despite their career plans and development in such jobs.
- **Declining Career Opportunities:-** Career opportunities for certain categories reach the declining stage due to the influence of the technological or economic factors. Solution for such problem is career shift.
- **Downsizing and Careers:-** Business process re-engineering, technological changes and business environmental factors force the business firms to restructure the organizations by downsizing. Downsizing activities result in fixing some employees, and degrading some other employees.

4.7 Succession Planning and Development

The process of ensuring that a qualified person is available to assume a managerial position once the position is vacant. It may be from internal employees or external people. Succession from internal employees is advantageous to the organization as well as to the internal employees. Organization can buy the employees loyalty and commitment, belongingness, shared feeling of development along with the organization by promoting the internal employees. Employees get the benefits of growth in the organization. The organization mostly prefers to encourage the growth and development of its employees and as such tends to prefer succession from within.

Organizations, appraise employee's potentialities, identify training gaps for future vacancies, and develop them for higher and varied jobs. The scope of succession plan would be more when the organization grows steadily and employees have potentialities to take up higher responsibilities.

Professionally run organizations ask their managers to identify the internal employees having potentialities and develop them in order to occupy their positions as and when they feel vacant.

However, it is necessary to allow the inflow of new blood also. Hence, organizations should also search for outside talent in certain cases like when competent internal people are not available, when major expansion, diversification and growth plans are in offing, complete dependence on either internal source or external source not advisable to any organization.

Succession Development:

It is the process of determining a comprehensive job profile of the key positions and then ensuring that key prospects are properly developed to match these qualifications. The absence of a succession plan can seriously hamper the growth prospects of an organisation. Imagine the disastrous consequences when there is a sudden vacuum at the top level. There is no one to steer the ship. Critical plans needing immediate action get postponed. The organisation remains headless and directionless for a while. Suitable candidates may not be available internally, as no one has been groomed in the past, keeping such an eventuality in mind. Bringing in outsiders may mitigate the crisis temporarily but the long-term impact is bound to be negative. Internal forces may start a rebellion and create tug-of-war situations with frustrating regularity.

Succession Planning is: "The process of ensuring a suitable supply of successors for current and future senior or key jobs arising from business strategy, so that the careers of individuals can be planned and managed to optimise the organisations' needs and the individuals' aspirations."

The purpose of succession planning is to identify and develop people to replace current jobholders in key positions. Through succession planning, companies assure a steady flow of internal talent to fill important vacancies. Succession planning encourages 'hiring from within' and creates a healthy environment where employees have careers and not merely jobs. It helps in identifying human resource shortages and skill shortages before openings occur. . .

Thereafter, it becomes easy to groom qualified candidates for future vacancies. The organisation is thus assured of continuity of operations and better-qualified incumbents. Preparing a schedule for succession is critical to the success of a company, especially at the top level. When the baton changes over a period of time, disruption and dislocation are minimised. Indeed, when a new CEO is meant to consolidate on past successes, a slow shift is ideal.

If qualified candidates are not available within the company, outsiders can be considered readily for possible openings. Complete dependence on succession from within or from outside is not desirable. Internal candidates require a 'pat on the back' when they do well. External candidates are needed for injecting flesh blood into the company.

Replacement Charts

A succession plan is a plan for identifying who is currently in post and who is available and qualified to take over in the event of retirement, voluntary retirement, dismissal or sickness. A typical succession chart shows details of key executives and brief references to their possible successors. The replacement chart is a visual representation of who will replace whom if there is a job opening. The replacement summary indicates likely replacements for each job and shows their relative strengths and weaknesses. This can be prepared in a detailed way so as to facilitate the easy selection of a candidate in case of future vacancies.

Process for Succession Plan:

The process requires several steps that lead through design, development, and implementation of the actual succession plan:

- An organization identifies its existing competencies, related to both its leadership needs and the industry it competes in.
- It evaluates and assesses current employees to determine how they match up to organizational needs.
- The organization introduces coaching, mentoring, training, and recruiting methods that match personnel requirements-and future needs.
- It develops the actual plan. Although some companies, particularly smaller ones, can store an Organization chart and succession plan on paper, many large organizations require succession's planning application or human resources management systems (HRMS) that provides visibility across the company; This is particularly crucial for global organizations, where talent reside in dozen & of different countries.

4.8 Placement

After an employee has been recruited he is provided with basic background information about the employer, working conditions and the information necessary to perform his job satisfactorily. The new employee's initial orientation helps him perform better by providing him information of the company rules, and practices.

After the initial programme is over, an employee is put to a specific job, for which he has been selected. Most of the organizations put new employees on probation for a specified period after which they are confirmed or made permanent, provided they match the organisational requirements. The personnel department periodically reviews the progress of such employees getting feedbacks on their performance from their controlling authority. Some organisations have also a system to extend the probationary period, if the employees fail to match to the organizational expectations. Such placement is known as 'differential placement'.

Definitions

Placement is defined as assigning employees jobs for which they have been identified as suitable based on the selection techniques. But such definition would be meaningless, if a particular employee is recruited against a particular vacancy. Generally, the question of placement arises when a group of trainees are recruited. Organisations, to identify the true potentiality of an employee, in such cases, make provision for short-term placement, during which phase, employees are allowed to work on different jobs, through a systematic job rotation programme. However, at a later stage, permanent placement is effected-matching the employees' competence, knowledge, skill and job interest.

Pigors and Myers, "Placement consists in matching what the supervisor has reason to think the new employee can do with what the job demands (job requirements), imposes (in strain, working conditions, etc.), and offers (in the form of pay rate, interest, companionship with other, promotional possibilities, etc.)" They further state that it is not easy to match all these factors for a new worker who is still in many ways an unknown quantity. For this reason, the first placement usually carries with it the status of probationer.

Principles Followed at the Time of Placement:

A few basic principles should be followed at the time of placement of an employee on the job. These may be enumerated as below:

- The job should be offered to the man according to his qualifications. The placement should neither be higher nor lower than the qualifications.
- While introducing the job to the new employee, an effort should be made to develop a sense of loyalty and cooperation in him so that he may realise his responsibilities better towards the job and the organisation.
 - The employee should be made conversant with the working conditions prevailing in the industry and all things relating to the job. He should also be made aware of the penalties if he commits a wrong.
 - Man should be placed on the job according to the requirements of the job. The job should not be adjusted according to the qualifications or requirements of the man. Job first; man next, should be the principle of placement.
 - The placement should be ready before the joining date of the newly selected person.
 - The placement in the initial period may be temporary as changes are likely after the completion of training. The employee may be later transferred to the job where he can do better justice.

4.9 Self Check Exercise

1. Define Career Planning.
2. What are the different Career Paths?
3. Define Career Development.
4. Describe Challenges in Career Development.
5. Define Placement.

4.10 Summary

After the induction programme is over, the new employees are placed at the jobs which fit with them. Thus, placement is essentially a process of matching jobs and individual and placement occurs when a job is assigned to an individual. Placement of an individual employee may be at two stages

such as initial placement after the selection and orientation or in the form of internal mobility such as promotion, demotion and transfer. The main problem with placement arises when the recruiters look at the individual but not at the job.

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.

Succession planning though a neglected area in the pre-liberalisation period is carried out in a systematic way in most professionally-managed companies in India now. Succession planning focuses on creating and stocking pools of candidates with high leadership potential. Career development could occur at the individual or the organisational level. Individuals can push up their careers through performance, exposure, networking, leveraging, etc.

4.11 Glossary

- **Career Planning** – It is the self evaluation & Planning done by a person to have a strong career path.
- **Career Path** – It is a similar group of jobs within a career cluster that use similar skills. A career path helps one find out how one might move from one job to another within a career cluster.
- **Career Development** – It refers to the process an individual may undergo to evolve their occupational status. It is the process of making life, learning and work over the lifespan.
- **Succession Planning** – It is a strategy for passing on leadership roles-often the ownership of a company-to an employee or group of employees. Also known as “replacement planning”, it ensures that businesses continue to run smoothly after a company’s most important people move on to new opportunities, retire or pass away.
- **Placement** – The action of placing someone or something somewhere.

4.12 Answers to Self Check Exercise

1. For Answer refer to section 4.1 (a)
2. For Answer refer to section 4.1 (d)
3. For Answer refer to section 4.3
4. For Answer refer to section 4.6
5. For Answer refer to section 4.8

4.13 Terminal Questions

1. Define the terms career, career planning and career development. Explain the career development initiatives.
2. Explain the importance and process of career planning?
3. Briefly explain the advantages of career planning in detail.
4. What do you mean by employee placement? How does it differ from induction?

4.14 Suggested Readings

- Aswathapa, K., *Human Resource Management*, 5th ed., Tata McGraw Hill,
- Dipak Kumar Bhattacharyya, *Human Resource Management*, Excel Books.

- French, W.L., *Human Resource Management*, 4th ed., Houghton Mifflin, Boston.
- H.J. Bemardin, *Human Resource Management*, Tata McGraw Hill. New Delhi, 2004.
- Ivancevich, J. M., *Human Resource Management*, Tata McGraw Hill.
- Madhurima Lall and Sakina Qasim Zaidi, *Human Resource Management*, Excel Books.
- Rao P.S., *Essentials of Human Resource Management and Industrial Relations, Text cases and Games*, Himalaya Publication.
- Bee, F. and Bee, R., 'Training Needs Analysis and Evaluation'; Chartered Institute of Personnel.
- Dessler, G. 'Human Resource Management', Prentice Hall, New York.
- Grundy, T. and Brown, L., 'Value-based Human Resource Strategy; Elsevier,

---//---

Chapter-5

Outsourcing Human Resource

Structure

- 5.0 Learning Objectives
- 5.1 Introduction
- 5.2 Characteristic of Outsourcing
- 5.3 Emergence of Outsourcing
- 5.4 Drivers of Outsourcing
- 5.5 Benefits of Outsourcing
- 5.6 Problems in Outsourcing
- 5.7 Operational Rationale for Outsourcing
- 5.8 Strategic Rationale for Outsourcing
- 5.9 Outsourcing in Indian Context
- 5.10 Self Check Exercise
- 5.11 Summary
- 5.12 Glossary
- 5.13 Answer to Self Check Exercise
- 5.14 Terminal Questions
- 5.15 Suggested Readings

5.0 Learning Objectives

After studying the lesson, you should be able to –

1. know the meaning of outsourcing
2. understand emergence and drivers of outsourcing
3. find out problems involved in outsourcing
4. know outsourcing in Indian Context

5.1 Introduction

The major issue involved in performing HRM functions by an organisation is whether it should perform all HRM functions on its own or it should outsource some of these functions from outside on favourable cost and efficient terms. Though this issue is relevant in the case of all organizational functions, however, here we are concerned with HRM functions only. In fact, make or buy practice in business is quite old. Make means doing things internally; buy means getting things done externally. This latter aspect is becoming more common day-by-day in the form of outsourcing.

Outsourcing means sending work outside the organisation to be done by individuals not employed full time with the organisation. In various business activities, other than HRM, the practice of outsourcing is more popular. However, the concept of outsourcing has entered big way in HRM in overseas companies. This concept has entered the Indian business only recently because of international impact. Outsourcing of HRM functions in India has big scope. Therefore, it is desirable to find out the scope of HRM outsourcing and its pros and cons.

Outsourcing has the potential to decrease the cost of service delivery, increase the quality of service, increase management flexibility, and provide access to the outside vendor's high level of expertise.

Definitions

Outsourcing can be defined as the situation where an external vendor or service provider provides, on a recurring basis, services that would normally be performed in-house by the organization.

Outsourcing is a process where in organizations concentrate on those aspects of their business processes, which gives them a competitive advantage (called as core business) and contract out or shell out the noncore aspects of their business processes.

Outsourcing is defined as the purchase from external vendors of a value-creating activity that could have been performed in-house.

Perspectives on Outsourcing

This is an age of outsourcing. Firms seem to be subcontracting an ever-expanding set of activities, ranging from product design to assembly, from research and development to marketing, distribution, and after sales service. Some firms have gone so far as to become "virtual" manufacturers, owning designs for many products but making almost nothing themselves. Nike was one of the first to embody the concept of the "virtual" firm by concentrating on design and sourcing every other key capability from outside. It was a manufacturer that manufactured nothing, but who made sure that "its" manufacturing process was the best.

Outsourcing is thought to benefit a business by allowing it to focus on its "core competencies" or "core activities." In this way, the business can shift its energy away from peripheral activities that lie outside of its true area of expertise, and instead concentrate more energy on what it does well in order to differentiate itself from competitors.

By outsourcing non-core activities, the business may also be able to reduce operating costs by reaping the benefits of a supplier's lower cost structure, which may result from economies of scale or other advantages associated with specialisation in the outsourced activity. Over 85 per cent of companies realise that outsourcing critical support services can enhance their competitive edge through access to a wealth of intellectual capital, without the need to invest in infrastructure. The bottom-line is that the company can concentrate on core operations and let a third party devote time and resources to providing non-core functions.

The process of Outsourcing creates an operating environment that is substantially more conducive to change. It provides a balance of improved product quality and service delivery through access to best practices, technology and professionals. BPO acts as a catalyst for change to help stimulate company growth by achieving unique competitive capabilities.

Outsourcing creates tremendous value and gives companies the ability to be more productive and create significant business impact. Companies gain competitive advantage by exploiting an outsourcing service provider's advantages such as economies of scale, best-in-class process execution, better and cheaper labour, and capital at more competitive rates in order to customize offerings more effectively and efficiently. In doing so, they generate tremendous value for customers and wealth for shareholders. Outsourcing manifests itself in every aspect of business today.

5.2 Characteristics of Outsourcing

The main characteristics of outsourcing are as follows:

1. An outsourcing contract is a collaboration agreement that involves a series of mutual transfers between the parties, on a technical or material level and on a more personal - level, with the

outsourcer assuming part of the risk of the client company, being better equipped to do so.

2. Outsourcing is a management tool. When a company initiates an outsourcing process, it ceases to manage internally a series of functions or processes that are not part of its core competencies and instead acquires them from an outside supplier or outsourcer. By doing so, the company is able to devote more of its time and personal and material resources to matters that directly concern its strategy.
3. The outsourcer, for its part, has its “core business” or competitive advantage in the functions and processes it has acquired from the company that undertakes the outsourcing process. The client thus gains access to expertise which enhances the service it offers.
4. The same volume of business can be managed by fewer people, giving the client company greater flexibility, capacity and resources to devote to activities related to its core business.
5. During the outsourcing process, the client company retains control and strategic management of the service it has outsourced and is responsible, together with the outsourcer, for establishing the guidelines that will align the service with its strategic objectives, in other words, the client and the outsourcer must agree on a series of quality standards; but these standards will be agreed on the basis of a strategic improvement proposal on the part of the outsourcer, and will steadily rise thanks to the efforts by both parties to adapt to the new demands of the market.
6. Outsourcing allows companies to leverage their resources to reinforce their competitive advantage.

5.3 Emergence of Outsourcing

The idea of outsourcing is certainly not new. Hiring outside groups to do work that an organization either cannot do or chooses not to do for itself dates back as far as one cares to look. Explorers, traders, and mercenaries are all early examples of the concept of outsourcing. Even the term outsourcing was first used in the 1970s by manufacturing executives and has been gradually adopted since then by executives in just about every other business function.

In the late 1970s and 1980s, it was increasingly recognized that many of these large and diverse companies were underperforming the market. The large vertically structured companies were not sufficiently efficient to meet ever greater cost discipline demands and academic studies pointed disappointing rates of return. In the early 1980s, with the onset of a global recession, this underperformance became even more pronounced. That led companies re-evaluating their strategies and focusing on fewer activities. The idea of core became dominant and managers were re-evaluating the idea that they needed to be vertically integrated and self-sufficient. Over the past 20 years, one of the most notable trends in the world of business has been the move away from high levels of vertical integration toward outsourcing.

In the early 1990s at a time when the U.S. economy faced a severe recession and the very competitiveness of its businesses was in question, outsourcing gained significance as the potent strategic business model. Companies used outsourcing then to help streamline their operations and to regain their competitive strength. The result was an unprecedented period of economic growth during the latter half of the 1990s. Today's challenges may be even more pressing than those of a decade ago.

As the contemporary use of the term outsourcing has grown, so has the actual amount of outsourcing taking place. The typical manufacturing company now outsources 70 to 80 percent of the content of its finished product. The entire professional Services industry of accountants, lawyers, advertisers, consultants, and the like is based on the concept of outsourcing.

Facilities executives routinely outsource cleaning, food services, and mailrooms. CIOs in large companies often outsource more than half of their company's information technology budget. Call centre outsourcing is commonplace as well. Most recently, organizations have started outsourcing entire-back offices, performing work as diverse as customer order processing, payroll, accounts receivables, and accounts payables through outside specialists. In fact it would be difficult to find any organization that is not outsourcing, to some extent, in just about every part of its operation. Outsourcing has, thus, emerged as one of the most important and powerful forces available for building successful companies, creating economic growth, and generating and enhancing jobs.

5.4 Drivers of Outsourcing

We live in a world that can best be described as hyper-competitive. Globalization is inextricably linking the world's major economies. Today's standard of excellence is not just best-in-class; it's best-in-world. In this global economy every company must compete against customer choices coming from everywhere and anywhere. Barriers to the marketplace are dropping quickly, with new competitors just a mouse-click away from any customer. Outsourcing is one of the fastest growing aspects of the world economy with a worldwide spending.

Outsourcing is nothing more and nothing less than a management tool. It is used to move an organization away from the traditional vertically integrated, self-sufficient structure; one that is increasingly ineffective in today's hyper-competitive, performance-driven environment. Through outsourcing, the organization moves toward a business structure where it's able to make more focused investments in the areas that provide its unique competitive advantage. Along the way, the organization creates interdependent relationships with specialized service providers for many of its critical activities that must be performed extremely well, but where the organization gains little competitive advantage by doing the work itself. This not only enhances the business of the company, it creates exciting new business opportunities for other companies to become providers of outsourcing services.

According to the **Outsourcing Institute**, the top ten drivers, behind outsourcing decisions are;

- **Accelerate Re-engineering Benefits** - Reengineering aims for improvements in critical measures of performance such as cost, quality, service, and speed. The need to increase efficiency can come into direct conflict with the need to invest in core business, and as non-core Internal functions are continually put on the back burner, systems become less efficient and less productive. By outsourcing a non-core function, a company can begin to see the benefit of reengineering.
- **Access to World Class Capabilities** - World class providers make extensive investments in technology, methodologies, and people. They gain expertise by working with many clients facing similar challenges. This combination of specialization and expertise gives customers a competitive advantage and helps them avoid the cost of chasing technology and training.
- **Cash Infusion** - Outsourcing often involves the transfer of assets from the customer to the provider. Equipment, facilities; vehicles, and licenses used in the current operations have value and are sold to the vendor. The vendor then uses these assets to provide services back to the client. Depending on the value of the assets involved, this sale may result in a significant cash payment to the customer.
- **Free Resources for Other Purposes** - Every company has limits on the resources available to it. Outsourcing permits a company to redirect its resources, most often people resources, from non-core activities toward activities that serve the customer or drive revenues.
- **Function is Difficult to Manage or Out of Control** - Outsourcing is certainly one option for addressing this problem. When a function is viewed as difficult to manage or out of control, the company needs to examine the underlying causes. If the expectations or needed resources are

not clearly understood, then outsourcing won't improve the situation; it may in fact exacerbate it. If a company doesn't understand its own requirements, it won't be able to communicate them to an outside provider.

- **Improve Company Focus** - Outsourcing lets company focus on its core business by having operational functions assumed by an outside expert. Freed from devoting energy to areas that are not in its expertise, the company can focus its resources on meeting its customers' needs.
- **Make Capital Funds Available** - Deciding where to invest capital funds is one of the most important decisions that senior management makes. It is often hard to justify non-core capital investments when areas more directly related to producing a product or providing a service compete for the same money: Outsourcing can reduce the need to invest capital funds in non-core business functions,
- **Reduce Operating Costs** - Companies that try to do everything themselves may incur vastly higher research, development, marketing, and deployment expenses, all of which are passed on to the customer. An outside provider's lower cost structure, which may be the result of a greater economy of scale or other advantage based on specialization, reduces a company's operating costs and increases its competitive advantage.
- **Reduce Risk** - Tremendous risks are associated with the investments a company makes. Markets, competition, government regulations, financial conditions, and technologies all change extremely quickly. Keeping up with these changes, especially those in which the next generation requires a significant investment, is very risky. Outsourcing providers make investments on behalf of many clients, not just one. Shared investment spreads risk, and significantly reduces the risk borne by a single company,
- **Resources Not Available internally** - Companies outsource because they do not have access to the required resources within the company. Outsourcing is a viable alternative to building the needed capability. New organizations, spin-offs, or companies expanding into new geography or new technology should consider the benefits of outsourcing from the very start.

What to outsource?

With HR service outsourcing becoming an acceptable norm in business, organisations, be start-up or well-established, are under constant pressure to outsource cost-effective and quality HR services. However, before going for outsourcing, the organisation must decide what to outsource and what not to outsource because all HRM functions cannot be outsourced as HR service outsourcing is not just like product outsourcing; HRM functions require certain confidentiality. However, all the functions are not of the same confidential nature. Thus, those functions which are not of confidential nature may be outsourced. Further, all HRM functions do not have same type of criticality to the organisation; some are more critical, others are less. Those functions which have less criticality can be outsourced because even if there is delay in completing these functions, the organisation is not going to lose much. Opposite is the case with critical functions. Based on confidentiality and criticality, the following HRM functions can be outsourced:

1. Getting contingent workforce through business process outsourcing HR (BPO HR) vendors is desirable as contingent workers are needed for those jobs which cannot be performed by core employees (full-time employees of the organisation) because of work pressure. Contingent workers are part-time, temporary, and contract workers used by an organisation to fill the peak staffing needs, or perform work unable to be performed by core employees.
2. Preliminary process relating to recruitment and selection can be outsourced. Activities in preliminary process of recruitment and selection include advertisement in different media,

getting applications from prospective candidates, screening applications, conducting test etc. However, in the final selection of candidates, at least for key positions, the organisation should involve itself.

3. Administrative work related to employee benefits, employee welfare services, payroll and compensation management, staff training, etc. can be outsourced. However, where payroll is of confidential nature, it must be processed internally, for example, in the case of IT companies.
4. HRM functions that are not performed on regular basis such as preparation of job application and appraisal forms, job design, job evaluation, and installation of safety measures can be outsourced on Selective basis. Selectivity is to be determined on the basis of confidentiality and criticality.

5.5 Benefits of Outsourcing

More and more organisations are resorting to outsourcing HRM functions because it offers certain benefits over performing these functions internally. Such benefits are as follows:

1. By outsourcing non-critical HRM functions, the organisations concentrate on critical HRM functions. If HRM functions have been linked to strategic management process, performing of critical HRM functions efficiently and timely is important for the success of the organisation. If HR professionals remain busy in performing routine and non critical HRM functions they can lose sight of critical HRM functions.
2. Performing non critical HRM functions internally is not cost-effective because performing such functions requires specialised skills and infrastructure which involves cost disproportionate to the contributions made by such functions. BPO (HR) vendors have requisite skills and infrastructure and they can provide services at much fewer cost.

5.6 Problems in Outsourcing

Though outsourcing certain HRM functions is beneficial, deriving such benefits becomes quite problematic in some situations. Problems related to outsourcing HRM functions are of the following types:

1. The organisation has to depend on outsider for getting things done. If BPO (HR) vendor is not prompt enough or is not efficient, work can be delayed.
2. The quality of BPO (HR) vendors in India is yet to achieve the requisite level. Perhaps, this is due to lack of adequate business in this field at present. However, this problem is likely to be over soon as more firms are turning their attention towards this attractive business. Therefore, while engaging a vendor, its reliability and capability should be ascertained.
3. It is argued that if some of the HRM functions, even of routine and administrative nature, are outsourced, it will adversely affect morale of HR professionals in the organisation; they may develop a feeling that the organisation doesn't have faith in their competence. However, this feeling may not have enough force because HR professionals interact with managers at all levels and, therefore, they can really appreciate the implications of outsourcing HRM functions.

5.7 Operational Rationales for Outsourcing

HR outsourcing is sometimes driven by the evolution of the HR function within the organization. Small companies pursue outsourcing where the HR function is relatively undeveloped. Extensive outsourcing is used to quickly fill voids in critical HR companies by purchasing services from outside the organization. In such circumstances, outsourcing has the critical advantage of providing HR capabilities while not adding to HR headcount.

- **Need for Specialized Expertise:** As one highly respected senior HR executive stated;

“You outsource when someone else can perform the activity better than you.” Another said that companies should make outsourcing decisions by asking, “What is it we will never be experts at or shouldn’t spend time doing?” These questions are to be regarded as the most frequently cited rationales for outsourcing HR activities. As companies require more Specialized HR, their next best alternative is to hire external HR vendors to perform activities that were formerly performed in-house. In addition to expertise, outside vendors can also be more objective than internal staff members. For example, companies hire outsourcing firms to conduct training program evaluations. Furthermore, when the HR function lacks credibility with the company’s senior management, evaluations or research performed by outside vendors provides needed credibility because of perceived expertise and objectivity.
- **HR Information Technology:** Innovations in HR information technology are another rationale driving outsourcing practices. Many outside vendors are installing integrated or enterprise software with human resource information system (HRIS) components. These systems provide the capability for HR executives to make informed business decisions on both operational and strategic issues; HRIS implementation is one of the driving forces for restructuring jobs, processes; and entire departments, including the HR department.
- **Time Pressures:** HR outsourcing enables HR executives to cope with time sensitive and competing demands. The training function provides another example in which time pressures often do not allow internal development of trainers or program design. Vendors can supply generic programs that can be customized and delivered quickly, such as diversity training.
- **Cost Savings:** It is argued that expected Cost savings was an initial rationale for outsourcing. Such cost reduction rationales are consistent with the strategic management view of competitive resource allocation. Hence, all activities, except for those related to strategic core competencies, should be outsourced if vendors can perform them more economically. It was observed in a survey that because of the magnitude of their internal HR operations, specialized vendors were unable to achieve greater economies of scale and cost savings. One interviewee observed that outsourcing produces no cost savings when only two or three vendors dominate a specialized market. As noted, cost savings are often an important rationale for outsourcing, but as another interviewee warned, “Don’t let cost be the absolute driver!”
- **Vendor Efficiencies and Service:** For some activities, the decision to outsource is straightforward. For example, large mutual fund or financial services companies can administer retirement plans competently and at very low cost. Decisions are similarly straightforward. For specialized vendors these activities are their core business and comprise their strategic focus. On the other hand, for other HR functions some executives hold a very different opinion about the level of service available through outsourcing. They claim that better service could not be obtained with most outsourced services. Moreover, these executives also argued that the pursuit of cost savings often resulted in the loss of service quality.
- **Firm’s HR Capacity:** HR activities are occasionally outsourced because of extraordinary circumstances, such as when the activity level is too overwhelming for in-house personnel to perform. In addition to extraordinary circumstances, outsourcing is used when companies are simply operating at full capacity and do not have additional staff to handle increased activity. Because such levels of business are expected to decline at some point in the future, companies may prefer to outsource some HR activities or part of their current load rather than hire more staff. The basis for this outsourcing approach is similar to the rationale for using overtime to handle peak workloads instead of hiring new permanent employees.
- **Reduction of Liability or Risk:** In some instances risk reduction is a partial rationale for outsourcing an HR activity. Liability and risk reduction is critical for smaller companies that do

not have the resources to employ staff specialists, who are fully informed on all aspects of, say, the legal requirements of HR programs.

5.8 Strategic Rationale for Outsourcing

The most significant shift in attitudes to outsourcing is the fact that most companies no longer see it merely as a cost-cutting exercise, rather than a strategic tool. While cost-cutting is still the prime motivator for outsourcing, six other highly strategic reasons are:

- (i) To improve the overall business performance;
- (ii) To sharpen business focus;
- (iii) For accessing external skills;
- (iv) For improving quality and efficiency of outsourced process;
- (v) To achieve competitive advantage; and
- (vi) To create new revenue sources.

With efficient HR outsourcing, corporate entities can move away from rigid self sufficient organization structures to an open entity with the flexibility to respond rapidly to new markets and new technologies and to take pleasure in competitive advantage through clear strategic focus, decentralised structure and reduction of bureaucracy and cultural change.

- **Strategic Focus:** HR departments often lack a clear strategic focus because they are preoccupied with operational activities. In essence, it is believed that HR departments should outsource many of their non-strategic activities. Outsourcing permits HR departments to move away from these routine administrative elements toward a more strategic role. Although outsourcing can be used to sharpen the strategic focus of HR, it is but one component of the strategic transformation process.
- **Decentralised Structure:** HR outsourcing is associated with decentralised or matrix structures and extensive internal networking. The company, which relies heavily on internal networking and departmental barriers, has a very informal culture with a heavy emphasis on flexibility. The combination of a decentralized structure, lean staffing, and an informal, fast-paced culture appears to be consistent with its outsourcing arrangements. It is opined that, except for benefits and compensation outsourcing, one does not sign contracts with the HR outsourcing vendors but instead, relies on trust in established relationships. In addition to heavy reliance on outsourcing, the company uses vendors that operate internationally to supply the same service to its operations throughout the world. Decentralisation of the HR function through redeployment of some of its assets to operating units is another strategic rationale for outsourcing. By outsourcing specialized services, the HR function can redeploy HR expertise from the corporate level to provide HR services at the operational level.
- **Reduction of Bureaucracy and Culture Change:** HR departments are often criticized for their bureaucratic processes and the constraints they impose on operational flexibility.

Thus, an important rationale for outsourcing is to develop a less bureaucratic HR function. As it is stated, successful outsourcing vendors emphasize a customer-service orientation that, in turn, permits the HR executive to address, with reduced HR headcount, only the most extreme cases that need his or her attention. In addition, outsourcing replaces bureaucracy with market forces.

The Costs of Outsourcing

The problems and disadvantages associated with HR outsourcing include:

- ◆ Co-ordination costs relate to the increased costs and difficulties of coordinating production and exchange with several external service providers rather than in-house control;

- ◆ Quality and service issues arise when there is an incentive for the contractor providing the service to renege on quality, especially where quality is difficult to verify;
- ◆ Costs of transacting refer to search and selection costs to find out an appropriate contractor. Contractors can often extract post-contractual revenue in the event of unforeseen circumstances due to bargaining advantages. The whole premise of transactions cost theory is that internal transactions are less costly than external ones, which is why firms arise in the first place, to internalise and coordinate market transactions;
- ◆ Costs of monitoring are an important issue as, with all contractual relationships, the client firm may need to intensify the monitoring of the contracting firm's performance in order to minimize the latter's incentive to shirk or cut-back on quality and service;
- ◆ Loss of Control is another worry factor that may hit a client firm over key areas, including the employment relationship and the management of employees.

5.9 Outsourcing in Indian Context

India is emerging as a major player in HR outsourcing. Riding on the success of the BPO and IT industries, India is well positioned to be a leader in the HRO space. Indian organizations are increasingly taking up HRO as an opportunity to streamline processes, reduce costs, get access to the latest technology and tools, consistently achieve better quality, and align human resources with the overall business as quickly as possible. Many large global HRO service providers have a presence in India and see the country as a viable investment destination, where they can set up their operations and cater to the rest of the international market, thus, key delivery location.

Indian companies are also expanding their horizons by extending their services globally in this arena. HR Outsourcing is not a very new concept to Indian outsourcing market. It essentially means managing the human resource department of companies that are hard-pressed for time and expertise when it comes to taking care of their HR spectrum. Research indicates that an HR department spends 80% of their time in managing tactical and transaction oriented HR operations. If these processes are outsourced then the trained HR staff could be re-deployed in the core process which will add substantial value to the organization.

From the tactical and straightforward handling of payroll and benefits, HR services providers are moving into the strategic world of BPO. HR-enablers are helping HR managers free themselves from the routine jobs and work towards taking employee services to a higher level. India, with its intrinsic advantages such as low cost, ready pool of English speaking manpower and geographic positioning is emerging as a viable destination for HR outsourcing companies to setup their businesses. The HR outsourcing business opportunity is large and India is likely to emerge as a major player in this market.

Companies are looking to outsourcing the complete range of HR delivery and designing products on policies, compensation, structure, and recruitment. Indian companies are not only providing services for the clients abroad but are also catering to the local market. The various HR processes that companies are venturing into include data entry, payroll processing, staffing, training, resume management, compensation, employee communications, pension plans, leave administration and HR data analytics.

The popular delivery models for HR services outsourcing are self service, call center back up or shared services involving high caliber HR professionals who play a consultative role to line managers. When compared to other regions, India holds an advantage in HR outsourcing because of cost factor and education of the workers.

HRO industry in India is still evolving. While the ability to deliver at a large global level with the offshore component has attracted buyers, the growth has been in select processes like payroll (few countries), benefits administration, recruitment, workforce administration etc., but not in other parts of

HRO. The Indian service providers capable of delivering the end-to-end HRO services are just a handful at the moment while there is a large number of single/stand alone service providers. The domestic HRO is more established and growing with some players beginning to stand out.

HR outsourcing is still considered to be unexploited. There are a number of deterrents that are keeping companies from moving to HR outsourcing. The basic reasons hampering the growth of HR outsourcing in India are confidentiality and cost factors. Many companies outsource only a bit of their requirements because of the above two factors. Besides, the fear of losing jobs, losing control over confidential data, ethics and quality of outsourcing vendors, security breaches and overall confidence in the vendor deter many organizations. The basic cultural mindset and the acceptance at the psychological level add to the deterrents. At times, many employees would want someone in-house to resolve their work-related problems or disputes.

All this is only possible if there is an in-house HR team, which interacts with the employees on a daily basis. Quality at times forms another roadblock. The issues of pricing also play an important role as there is no standards benchmark for pricing and it varies from vendor to vendor.

5.10 Self Check Exercise

1. Define outsourcing.
2. Discuss emergence of outsourcing.
3. What are the different drivers of outsourcing?
4. Discuss outsourcing in Indian Context.

5.11 Summary

Human Resource outsourcing has become a major part of HR operations for the last few years. Smith, Vozikis, and Varaksina (2006) indicate that 61% of the organisations outsourced at least one HR function. Out of that percentage, 68% of them outsourced recruitment, 61% outsourced human resource information system followed by training (56%) and benefit administration (49%). HR outsourcing is only lauded as one of the strategic tool in the hyper competitive environment. In that, it assists organisations to focus on their scarce resources, increase customers' perception towards quality and reduce the cost of outsourcing the HR functions.

5.12 Glossary

1. **Outsourcing** – It is the business practice of hiring a party outside a company to perform services and create goods that traditionally were performed in-house by the company's own employees and staff. It is a practice usually undertaken by companies as a cost-cutting measure.
2. **Business Process Outsourcing (BPO)** – It refers to the process of contracting standard business function to be handled by a party outside of the company.
3. **Human Resource Outsourcing (HRO)** – It is a sustainable and competitive method to manage costs and allow a company's core resources to focus on strategic initiatives rather than managing transactional activities in HR operations.

5.13 Answers to Self Check Exercise

1. For Answer refer to section 5.1.
2. For Answer refer to section 5.3.
3. For Answer refer to section 5.4.

4. For Answer refer to section 5.9.

5.14 Terminal Questions

1. What do you mean by outsourcing?
2. Define outsourcing. What are the benefits of outsourcing?
3. Describe the disadvantage of outsourcing HRM functions.
4. Elaborate the problems of outsourcing HRM functions.
5. Discuss the status of outsourcing by giving the example of Indian scenario.
6. What are the operational and strategic rationales of HR outsourcing?
7. Is outsourcing of HR function beneficial for an organisation or not Comment.

5.15 Suggested Readings

- Adler PS, "Making the HRM outsourcing decision". MIT Sloan Management Review.
- Ahmed S, "The emerging measure of effectiveness for human resource management: An exploratory study with performance appraisal". The Journal of Management Development.
- Barney J, "Firm resources and sustained competitive advantage". Journal of Management.
- Bensaou M, "Portfolios of buyer-supplier relationship, Sloan Management Review.
- Bettis RA, Bradley SP and Hamel C. "Outsourcing and Industrial Decline". Academy of Management Executive.
- Chandler AD, "Strategy and Structure: Chapters in the History of Industrial Enterprise". MIT Press, Cambridge, MA.
- Cook MF, "Outsourcing human resources functions: Strategies for providing enhanced HR services at lower cost". New York, New York: AMACOM.
- Gilley M and Rasheed, A, "Making more by doing less: An analysis of outsourcing and its effect on firm performance". Journal of Management.

---//---

Chapter-6

Training and Development

Structure

- 6.0 Learning Objectives
- 6.1 Introduction
- 6.2 Objectives of Training and Development
- 6.3 Benefits of Training and Development
- 6.4 Need for Employee Training
- 6.5 Types of Training
- 6.6 Process of Employee Training
- 6.7 Inputs in Training and Development
- 6.8 Characteristics of an Effective Trainer
- 6.9 Issues in Employee Training
- 6.10 Executive Development
- 6.11 Executive Development Program (EDP)
- 6.12 Importance of Executive Development
- 6.13 Factors Influencing Executive Development
- 6.14 Stages in Process of Executive Development
- 6.15 Evaluation of Executive Development
- 6.16 Methods of Executive Development
- 6.17 Techniques of Executive Development
- 6.18 Self Check Exercise
- 6.19 Summary
- 6.20 Glossary
- 6.21 Answer to Self Check Exercise
- 6.22 Terminal Questions
- 6.23 Suggested Readings

6.0 Learning Objectives

After reading the lesson, you should be able to :-

1. understand Training and Development.
2. know the objectives and Benefits of Training and development
3. know different types of training, its process.
4. describe the factors influencing executive development.

5. understand the process, evaluation, methods and techniques of executive development.

6.1 Introduction

Training is a process of learning a sequence of programmed behavior. It is the application of knowledge & gives people an awareness of rules & procedures to guide their behavior. It helps in bringing about positive change in the knowledge, skills & attitudes of employees. Thus, training is a process that tries to improve skills or add to the existing level of knowledge so that the employee is better equipped to do his present job or to mould him to be fit for a higher job involving higher responsibilities. It bridges the gap between what the employee has & what the job demands.

Training refers to a planned effort by a company to facilitate employees' learning of job related competencies. These competencies include knowledge, skills, or behaviors that are critical for successful job performance'. The goal of training is for employees to master the knowledge, skill, and behaviors emphasized in training programs and to apply them to their day to day activities. Training is seen as one of several possible solutions to improve performance. Other solutions can include such actions as changing the job or increasing employee motivation through pay and incentives.

Training usually refers to some kind of organized and finite event, a seminar, workshop that has a specific beginning date and end date. It's often a group activity, but the word training is also used to refer to specific instruction done one on one.

Definitions

Training means "process of teaching new knowledge and skills to perform their job effectively."

Dale "Training is the organized procedure by which people learn new knowledge and skills for definite purpose."

Armstrong, Training is the formal and systematic modification of behavior through learning which occurs as a result of education, instruction, development and planned experience."

Flippo, training is the act of increasing the knowledge and skills of an employee for doing a particular job.

Training may be defined as a planned programme designed to improve performance and bring about measurable changes in knowledge, skills, attitude and social behaviour of employees. Training is concerned with imparting and developing specific skills for a particular purpose. Training is the process of learning a Sequence of programmed behaviour. The behaviour being programmed is relevant to a specific phenomenon, which is a job. Training is the process of increasing the skills of an employee for doing a particular Job.

Features of Training

- Providing educational opportunities for all employees. These educational opportunities may include training programs, but they also include support for taking courses offered outside the company, self-study, and learning through job rotation.
- An ongoing process of performance improvement that is directly measurable rather than organizing one time training events.
- The need to demonstrate to executives, managers, and trainees the benefits of training.
- Learning as a lifelong event in which senior management, trainer manager, and employees have ownership.
- Training being used to help attain strategic business objectives, which help companies, gains a competitive advantage.

6.2 Objectives of Training and Development

The principal objective of training and development division is to make sure the availability of a skilled and willing workforce to an organization. In addition to that, there are four other objectives: Individual, Organizational, Functional, and Societal. Training and development is a subsystem of an organization. It ensures that randomness is reduced and leaning or behavioural change takes place in structured format.

- **Individual Objectives** - help employees in achieving their personal goals, which in turn, enhances the individual contribution to an organization.
- **Organizational Objectives** - assist the organization with its primary objective by bringing individual effectiveness.
- **Functional Objectives** - maintain the department's contribution at a level suitable to the organization's needs.
- **Societal Objectives** - ensure that an organization is ethically and socially responsible to the needs and challenges of the society.

The quality of employees and their development through training and education are major factors in determining long-term profitability of a small business. If you hire and keep good employees, it is good policy to invest in the development of their skills, so they can increase their productivity.

Training often is considered for new employees only. This is a mistake because Ongoing training for current employees helps them adjust to rapidly changing job requirements.

Reasons for Growth and Development of Personnel

- ✓ Creating a pool of readily available and adequate replacements for personnel who may leave or move up in the organization.
- ✓ Enhancing the company's ability to adopt and use advances in technology because of a sufficiently knowledgeable staff.
- ✓ Building a more efficient, effective and highly motivated team, which enhances the company's competitive position and improves employee morale. Ensuring adequate human resources for expansion into new programs.

6.3 Benefits of Training and Development

The benefits of training and developing workers, including:

- Increased productivity.
- Reduced employee turnover.
- Increased efficiency resulting in financial gains.
- Decreased need for supervision.

Employees frequently develop a greater sense of self-worth, dignity and well-being as they become more valuable to the firm and to society. Generally they will receive a greater share of the material gains that result from their increased productivity. These factors give them a sense of satisfaction through the achievement of personal and company goals.

6.4 Need for Employee Training

Training of employees takes place after orientation takes place. Training is the process of enhancing the skills, capabilities and knowledge of employees for doing a particular job. Training

process moulds the thinking of employees and leads to quality performance of employees. It is continuous and never ending in nature. Training is given on four basic grounds, which are as follows:

- ✓ New candidates who join an organization are given training. This training familiarizes them with the organizational mission, vision, rules and regulations and the working conditions.
- ✓ The existing employees are trained to refresh and enhance their knowledge.
- ✓ If any updations and amendments take place in technology, training is given to cope up with those changes such as purchasing new equipment, changes in technique of production, computer impartment. The employees are trained about use of new equipments and work methods.
- ✓ When promotion and career growth becomes important. Training is given so that employees are prepared to share the responsibilities of the higher level job.

Training needs can be assessed by analyzing three major human resource areas: the organization as a whole, the job characteristics and the needs of the individuals. This analysis will provide answers to the following questions:

- Where is training needed?
- What specifically must an employee learn in order to be more productive?
- Who needs to be trained?

Begin by assessing the current status of the company how it does what it does best and the abilities of your employees to do these tasks. This analysis will provide some benchmarks against which the effectiveness of a training program can be evaluated. Your firm should know where it wants to be in five years from its long-range strategic plan. What you need is a training program to take your firm from here to there.

Second, consider whether the organization is financially committed to supporting the training efforts. If not, any attempt to develop a solid training program will fail:

Next, determine exactly where training is needed. It is foolish to implement a companywide training effort without concentrating resources where they are needed most. An internal audit will help point out areas that may benefit from training. Also, a skills inventory can help determine the skills possessed by the employees in general. This inventory will help the organization determine what skills are available now and what skills are needed for future development.

Also, in today's market-driven economy, you would be remiss not to ask your customers what they like about your business and what areas they think should be improved. In summary, the analysis should focus on the total organization and should tell you

- Where training is needed? And
- Where it will work within the organization?

Once you have determined where training is needed, concentrate on the content of the program. Analyze the characteristics of the job based on its description, the written narrative of what the employee actually does. Training based on job descriptions should go into detail about how the job is performed on a task-by-task basis. Actually doing the job will enable you to get a better feel for what is done. Individual employees can be evaluated by comparing their current skill levels or performance to the organization's performance standards or anticipated needs.

Importance of Training

Training is crucial for organizational development and success. It is fruitful to both employers and employees of an organization. An employee will become more efficient and productive if he is trained well. The benefits of training can be summed up as:

- **Improves Morale of Employees:** Training helps the employee to get job security and job satisfaction. The more satisfied the employee is and the greater is his morale, the more he will contribute to organizational success and the lesser will be employee absenteeism and turnover.
- **Less Supervision-** A well trained employee will be well acquainted with the job and will need less of supervision. Thus, there will be less wastage of time and efforts.
- **Fewer Accidents-** Errors are likely to occur if the employees lack knowledge and skills required for doing a particular job. The more trained an employee is, the less are the chances of committing accidents in job and the more proficient the employee becomes.
- **Chances of Promotion-** Employees acquire skills and efficiency during training. They become more eligible for promotion. They become an asset for the organization.
- **Increased Productivity-** Training improves efficiency and productivity of employees. Well trained employees show both quantity and quality performance. There is less wastage of time, money and resources if employees are properly trained,

6.5 Types of Training

Sometimes similar terms have been used for workplace learning to improve performance: “training and development. One can generally categorize such training as on- the-job (OJT) or off-the-job:

On-the-Job Training:

On-the-job training takes place in a normal working situation, using the actual tools, equipment, documents or materials that trainees will use when fully trained. On-the-job training has a general reputation as most effective for vocational work.

The most frequently used method in smaller organizations that is on the job training. This method of training uses more knowledgeable, experienced and skilled employees, such as managers, supervisors to give training to less knowledgeable, skilled, and experienced employees. OJT can be delivered in classrooms as well. This type of training often takes place at the work place in informal manner.

Characteristics of On-the-Job Training:

- It is done on ad-hoc manner with no formal procedure, or content
- At the start of training, or during the training, no specific goals or objectives are developed
- Trainers usually have no formal qualification or training experience for training
- Training is not carefully planned or prepared
- The trainer are selected on the basis of technical expertise or area knowledge

Formal OJT programs are quite different from informal OJT. These programs are carried out by identifying the employees who are having superior technical knowledge and can effectively use one-to-one interaction technique. The procedure of formal on the job training program is:

- ✓ The participant observes a more experienced, knowledgeable, and skilled trainer (employee)
- ✓ The method, process, and techniques are well discussed before, during and after trainer has explained about performing the tasks
- ✓ When the trainee is prepared, the trainee starts performing on the work place
- ✓ The trainer provides continuing direction of work and feedback

- ✓ The trainee is given more and more work so that he accomplishes the job flawlessly

Techniques for On-the-Job Development

The techniques for on-the-job are as follows:

- Coaching
- Mentoring
- Job Rotation
- Job Instruction Technique (JIT)

• **Coaching** is one of the training methods, which is considered as a corrective method for inadequate performance. According to a survey conducted by International Coach Federation (ICF), more than 4,000 companies are using coach for their executives. These coaches are experts most of the time outside consultants. A coach is the best training plan for the CEO's because:

- It is one to one interaction
- It can be done at the convenience of Chief Executive Officer
- It can be done on phone, meetings, through e-mails, chat
- It provides an opportunity to receive feedback from an expert
- It helps in identifying weaknesses and focus on the area that needs improvement

This method best suits for the people at the top because if we see on emotional front, when a person reaches the top, he gets lonely and it becomes difficult to find someone to talk to. It helps in finding out the executive's specific developmental needs. The needs can be identified through 60 degree performance reviews,

✓ **Procedure of the Coaching**

The procedure of the coaching is mutually determined by the executive and coach. The procedure is followed by successive counseling and meetings at the executive's convenience by the coach.

- Understand the participant's job, the knowledge, skills, and attitudes, and resources required to meet the desired expectation
- Meet the participant and mutually agree on the objective that has to be achieved
- Mutually arrive at a plan and schedule
- At the job, show the participant how to achieve the objectives, observe the performance and then provide feedback
- Repeat step 4 until performance improves

For the people at middle level management, coaching is more likely done by the supervisor; however experts from outside the organization are at times used for up and coming managers. Again, the personalized approach assists the manager focus on definite needs and improvement.

Mentoring is an ongoing relationship that is developed between a senior and junior employee. Mentoring provides guidance and clear understanding of how the organization goes to achieve its vision and mission to the junior employee. The meetings are not as structured and regular than in coaching. Executive mentoring is generally done by someone inside the company. The executive can learn a lot from mentoring. By dealing with diverse mentee's, the executive is given the chance to grow

professionally by developing management skills and learning how to work with people with diverse background, culture, and language and personality types.

Executives also have mentors. In cases where the executive is new to the organization, a senior executive could be assigned as a mentor to assist the new executive settled into his role. Mentoring is one of the important methods for preparing them to be future executives. This method allows the mentor to determine what is required to improve mentee's performance. Once the mentor identifies the problem, weakness, and the area that needs to be worked upon, the mentor can advise relevant training. The mentor can also provide opportunities to work on special processes and projects that require use of proficiency.

- **Some key points on Mentoring:-**

- ✓ Mentoring focus on attitude development
- ✓ Conducted for management-level employees
- ✓ Mentoring is done by someone inside the company
- ✓ It is one-to-one interaction
- ✓ It helps in identifying weaknesses and focus on the area that needs improvement

- **Job Rotation** takes on different perspectives. The executive is usually not simply going to another department. In some vertically integrated organizations, for example, where the supplier is actually part of same organization or subsidiary, job rotation might be to the supplier to see how the business operates from the supplier point of view. Learning how the organization is perceived from the outside broadens the executive's outlook on the process of the organization. Or the rotation might be to a foreign office to provide a global perspective.

For managers being developed for executive roles, rotation to different functions in the company is regularly carried out.

This approach allows the manager to operate in diverse roles and understand the different issues that crop up. If someone is to be a corporate leader, they must have this type of training. A recent study indicated that the single most significant factor that leads to leader's achievement was the variety of experiences in different departments, business units, cities, and countries.

An organized and helpful way to develop talent for the management or executive level of the organization is job rotation. It is the process of preparing employees at a lower level to replace someone at the next higher level. It is generally done for the organisations that are crucial for the effective and efficient functioning of the organization.

Some of the major benefits of job rotation are:

- ✓ It provides the employees with opportunities to broaden the horizon of knowledge, skills, and abilities by working in different departments, business units, functions, and countries
- ✓ Identification of Knowledge, skills, and attitudes (KSAs) required
- ✓ It determines the areas where improvement is required
- ✓ Assessment of the employees who have the potential and caliber for filling the position
- **Job Instruction Technique (JIT)** uses a strategy with focus on knowledge (factual and procedural), skills and attitudes development.
 - ✓ JIT Consists of Four Steps:
 - ❖ **Plan** - this step includes a written breakdown of the work to be done because the trainer and the trainee must understand that documentation is must and important for the familiarity of work. A

trainer who is aware of the work well is likely to do many things and in the process, might miss few things. Therefore, a structured analysis and proper documentation ensures that all the points are covered in the training program. The second step is to find out what the trainee knows and what training should focus on. Then, the next step is to create a comfortable atmosphere for the trainees' i.e. proper orientation program, availing the resources, familiarizing trainee with the training program, etc.

- ❖ **Present-** In this step, trainer provides the synopsis of the job while presenting the participants the different aspects of the work. When the trainer finished, the trainee demonstrates how to do the job and why is that done in that specific manner. Trainee actually demonstrates the procedure while emphasizing the key points and safety instructions.
- ❖ **Trial-** This step actually a kind of rehearsal step, in which trainee tries to perform the work and the trainer is able to provide instant feedback. In this step, the focus is on improving the method of instruction because a trainer considers that any error if occurring may be a function of training not the trainee. This step allows the trainee to see the after effects of using an incorrect method. The trainer then helps the trainee by questioning and guiding to identify the correct procedure.
- ❖ **Follow-up** - In this step, the trainer Checks the trainee's job frequently after the training program is over to prevent bad work habits from developing. There are various methods of training, which can be divided in to cognitive and behavioral methods. Trainers need to understand the pros and cons of each method, also its impact on trainees keeping their background and skills in mind before giving training.

- **Off-the-Job Training Methods**

Off-the-job training takes place away from normal work situations — implying that the employee does not count as a directly productive worker while such training takes place. Off- the-job training has the advantage that it allows people to get away from work and concentrate more thoroughly on the training itself. This type of training has proven more effective in inculcating concepts and ideas.

There are many management development techniques that an employee can take in off the job. The few popular methods are:

- ✓ Sensitivity Training
- ✓ Transactional Analysis
- ✓ Straight Lectures/Lectures
- ✓ Simulation Exercises

(a) Sensitivity Training is-about making people understand about themselves and others reasonably, which is done by developing in them social sensitivity and behavioral flexibility. Social sensitivity in one word is empathy. It is ability of an individual to sense what others feel and think from their own point of view. Behavioral flexibility is ability to behave suitably in light of understanding. Sensitivity Training Program requires three steps:

- ❖ **Unfreezing the Old Values**

It requires that the trainees become aware of the inadequacy of the old values. This can be done when the trainee faces dilemma in which his old values is not able to provide proper guidance. The first step consists of a small procedure:

- ✓ An unstructured group of 10-15 people is formed.
- ✓ Unstructured group without any objective looks to the trainer for its guidance
- ✓ But the trainer refuses to provide guidance and assume leadership

- ✓ Soon, the trainees are motivated to resolve the uncertainty
- ✓ Then, they try to form some hierarchy. Some try assume leadership role which may not be liked by other trainees
- ✓ Then, they started realizing that what they desire to do and realize the alternative ways of dealing with the situation
- ❖ **Development of New Values** - With the trainer's support, trainees begin to examine their interpersonal behavior and giving each other feedback. The reasoning of the feedbacks are discussed which motivates trainees to experiment with range of new behaviors and values. This process constitutes the second step in the change process of the development of these values.
- ❖ **Refreezing the new ones** - This step depends upon how much opportunity the trainees get to practice their new behaviors and values at their work place.

(b) Transactional Analysis provides trainees with a realistic and useful method for analyzing and understanding the behavior of others. In every social interaction, there is a motivation provided by one person and a reaction to that motivation given by another person. This motivation-reaction relationship between two persons is a transaction. It can be done by the ego states of an individual. An ego state is a system of feelings accompanied by a related set of behaviors. There are basically three ego states:

- ✓ **Child:** It is a collection of recordings in the brain of an individual of behaviors, attitudes, and impulses which come to her naturally from her own understanding as a child. The characteristics of this ego are to be spontaneous, intense, unconfident, reliant, probing, anxious, etc. Verbal clues that a person is operating from its child state are the use of words like "I guess", "I suppose", etc. and non verbal clues like, giggling, coyness, silent, attention seeking etc.
- ✓ **Parent:** It is a collection of recordings In the brain of an individual of behaviors, attitudes, and impulses imposed on her in her childhood from various sources such as, social, parents, friends, etc. The characteristics of this ego are to be overprotective, isolated, rigid, bossy, etc. Verbal clues that a person is operating from its parent states are the use of words like, always, should, never, etc and non-verbal clues such as, raising eyebrows, pointing an accusing finger at somebody, etc.
- ✓ **Adult:** It is a collection of reality testing, rational behavior, decision making, etc. A person in this ego state verifies, updates the data which she has received from the other two states. It is a shift from the taught and felt concepts to tested concepts. All of us evoke behavior from one ego state which is responded to by the other person from any of these three states.

(c) Lecture is telling someone about something. Lecture is given to enhance the knowledge of listener or to give him the theoretical aspect of a topic. Training is basically incomplete without lecture: When the trainer begins the training session by telling the aim, goal, agenda, processes, or methods that will be used in training that means the trainer is using the lecture method. It is difficult to imagine training without lecture format. There are some variations in Lecture method. The variation here means that some forms of lectures are interactive while some are not.

(d) Straight Lecture: Straight lecture method consists of presenting information, which the trainee attempts to absorb. In this method, the trainer speaks to a group about a topic. However, it does not involve any kind of interaction between the trainer and the trainees. A lecture may also take the form of printed text, such as books, notes, etc. The difference between the straight lecture and the printed material is the trainer's intonation, control of speed, body language, and visual image of the trainer. The trainer in case of straight lecture can decide to vary from the training script, based on the signals from the trainees, whereas same material in print is restricted to what is printed.

A good lecture consists of introduction of the topic, purpose of the lecture, and priorities and preferences of the order in which the topic will be covered. Some of the main features of lecture method are:

- ✓ Inability to identify and correct misunderstandings
- ✓ Less expensive
- ✓ Can be reached large number of people at once
- ✓ Knowledge building exercise
- ✓ Less effective* because lectures require long periods of trainee inactivity

Games and Simulations are structured and sometimes unstructured, that are usually played for enjoyment sometimes are used for training purposes as an educational tool. Training games and simulations are different from work as they are designed to reproduce or simulate events, circumstances; processes that take place in trainees' job.

A Training Game is defined as spirited activity or exercise in which trainees compete with each other according to the defined set of rules. Simulation is creating computer versions of real-life games. Simulation is about imitating or making judgment or opining how events might occur in a real situation. It can entail intricate numerical modelling, role playing without the support of technology, or combinations.

Training games and simulations are now seen as an effective tool for training because its key components are:

- ✓ Challenge
- ✓ Rules
- ✓ Interactivity

These three components are quite essential when it comes to learning. Some of the examples of this technique are:

Trainees can therefore experience these events, processes, games in a controlled setting where they can develop knowledge, skills, and attitudes or can find out concepts that will improve their performance.

6.6 Process of Employee Training

The training design process refers to a systematic approach for developing training programs. It includes the seven steps in this process. Training is one of the most profitable investments an organization can make. No matter what business or industry you are in the steps for an effective training process are the same and may be adapted anywhere. If you have ever thought about developing a training program within your organization consider the following four basic training steps. You will find that all four of these steps are mutually necessary for any training program to be effective and efficient.

Step-1 Need Assessment: It is to conduct a needs-assessment, which is necessary to identify whether training is needed. This step identifies activities to justify an investment for training. The techniques necessary for the data collection are surveys, observations, interviews, and customer comment cards. Several examples of an analysis outlining specific training needs are customer dissatisfaction, low morale, low productivity, and high turnover.

The objective in establishing a needs analysis is to find out the answers to the following questions:

- ✓ "Why" is training needed?

- ✓ “What” type of training is needed?
- ✓ “When” is the training needed?
- ✓ “Where” is the training needed?
- ✓ “Who” needs the training?
- ✓ “Who” will conduct the training?
- ✓ “How” will the training be performed?

By determining training needs, an organization can decide what specific knowledge, skills, and attitudes are needed to improve the employee’s performance in accordance with the company’s standards.

The needs analysis is the starting point for all training. The primary objective of all training is to improve individual and organizational performance. Establishing a needs analysis is, and should always be the first step of the training process.

Step-2 Description: It is to ensure that employees have the motivation and basic skills necessary to master training content. This step establishes the development of current job descriptions and standards and procedures. Job descriptions should be clear and concise and may serve as a major training tool for the identification of guidelines. Once the job description is completed, a complete list of standards and procedures should be established from each responsibility outlined in the job description. This will standardize the necessary guidelines for any future training.

Step-3 Deliver Training Program: It is to create a learning environment that has the features necessary for learning to occur. This step is responsible for the instruction and delivery of the training program. Once you have designated your trainers, the training technique must be decided. One-on-one training, on-the-job training, group training, seminars, and workshops are the most popular methods.

Before presenting a training session, make sure you have a thorough understanding of the following characteristics of an effective trainer. The trainer should have - A desire to teach the subject being taught.

- ✓ A working knowledge of the .subject being taught.
- ✓ An ability to motivate participants to “want” to learn.
- ✓ A good sense of humour.
- ✓ A dynamic appearance and good posture.
- ✓ A strong passion for their topic.
- ✓ A strong compassion towards their participants.
- ✓ Appropriate audio/visual equipment to enhance the training session.

For a training program to be successful, the trainer should be conscious of several essential elements, including a controlled environment, good planning, and the use of various training methods, good communication skills and trainee participation.

Step-4 Application: it is to ensure that trainees apply the training content to their jobs. This step will determine how effective and profitable your training program has been. Methods for evaluation' are -pre-and post- surveys of customer comments cards, the establishment of a cost/benefit analysis outlining your expenses and returns, and an increase in customer satisfaction and profits. The reason for an evaluation system is simple. The evaluations of training programs are without a doubt the most important step in the training process. It is this step that will indicate the effectiveness of both the training as well as the trainer.

There are several obvious benefits for evaluating a training program. First, evaluations will provide feedback on the trainer's performance, allowing them to improve themselves for future programs. Second, evaluations will indicate its cost-effectiveness. Third, evaluations are an efficient way to determine the overall effectiveness of the training program for the employees as well as the organization. The importance of the evaluation process after the training is critical. Without it, the trainer does not have a true indication of the effectiveness of the training. Consider this information the next time you need to evaluate your training program. You will be amazed with the results.

The need for training your employees has never been greater. As business and industry continues to grow, more jobs will become created and available. Customer demands, employee morale, employee productivity, and employee turnover as well as the current economic realities of a highly competitive workforce are just some of the reasons for establishing and implementing training in an organization.

To be successful, all training must receive support from the top management as well as from the middle and supervisory levels of management. It is a team effort and must be implemented by all members of the organization to be fully successful.

6.7 Inputs in Training and Development

Inputs in training and development programme are those which enable the participants to gain skills, learn theoretical concepts and help acquire vision to look into the distant future. The inputs of training and development are as follows:

- **Skills:** Training is imparting skills to the employees. A worker needs skills to operate machines, and use other equipments with least damage and scrap. This is basic skills without which the operator will not function. There is also a need of motor skills or psychomotor skills as they refer to performance of specific physical activities. These skills involve learning to move various parts of their body in response to certain external and internal stimuli. Employees particularly like supervisors and executives, need interpersonal skills mostly know as people skills. These skills helps a person "understand oneself and others better and act accordingly. Examples of interpersonal skills include listening, Persuading and showing an understanding of others feelings.
- **Education:** The purpose of education is to teach theoretical concepts and develop a sense of reasoning and judgment. That any training and development programme must contain an element of education is well understood by the HR specialist. Education is more important for managers and executives than for lower -cadre workers.
- **Development:** Another component of a training and development programme is development which is less skill-oriented but stress on knowledge. Knowledge about business environment, management principles and techniques, human relations, specific industry analysis and the like is useful for better management of a company.
- **Development Programme** should help an employee to be a self-starter, build sense of commitment, motivation, which should again helps him being self generating. It should make their performance result oriented and help them in being more efficient and effective. It should also help in making the employee sensitive towards the environment that is his work place and outside. This programme should keep the employee aware of him i.e. his potentials and his limitations. Help him see himself as others see him and accept his self image as a prelude to change. It helps teach an individual to communicate without filters, to see and feel points of view different from their own. Also helps them understand the powers in their hands and thereby develop leadership styles which inspire and motivate others.

- **Ethics:** There is a need for imparting greater ethical orientation to a training and development programme. There is no denial of the fact that ethics are largely ignored in businesses. They are less seen and talked about in the personnel function. This does not mean that the HR manager is absolved of the responsibility. If the production, finance or marketing personnel indulge in unethical practices the fault rest on the HR manager. It is his/her duty to enlighten all the employees in the organization about the need for ethical behavior.
- **Attitudinal Changes:** Attitudinal represents feelings and beliefs of an individual towards others. Attitudes affect motivation, satisfaction and job commitment. Negative attitudes needs to be converted into positive attitudes. Changing negative attitudes is difficult because:
 - ✓ Employees refuse to change
 - ✓ They have prior commitments and
 - ✓ Information needed to change attitudes may not be sufficient.

Attitude must be changed so that the employee feels committed to the organization and give better performance.

Decision-Making and Problem-Solving Skills:

Decision-making and problem-solving skills focus on methods and techniques for making organizational decision and solve work related problems. Learning/related to decision making and problem solving skills seeks to improve trainee's abilities to define and structure problems, collect and analysis information, generate alternatives. Training of this type is typically provided to potential managers, supervisors and professionals

Gaps in Training

The training gap is the difference between the job skills your people actually have at this moment, and the skills they need now and in the near future to keep your company competitive in its market place. Gaps in training can be measured by training need assessment. Following are prerequisites:

- ✓ **Reliable:** A Training Needs Assessment that delivers trusted, internally consistent results - with measured reliability printed on every report.
- ✓ **Valid:** A Training Needs Assessment of your organization's skills, not a list of generic skills, or broad skills that apply to all jobs.
- ✓ **Focused on Priorities:** A Training Needs Assessment that reports the most important skills and the most important gaps that must be closed.

Who are the Trainers:

Trainers should be selected on the basis of self-nomination, recommendations of supervisors or by the HR department itself. Whatever is the basis, it is advisable to have two or more target audience such as rank-and-file employees and their supervisors or by the HR department itself. Several people, including the .following may conduct:

Training and Development Programmes:

- ✓ Immediate supervisors
- ✓ Co-workers, as in buddy systems
- ✓ Members of the personnel staff,
- ✓ Specialists in other parts of the company,

- ✓ Outside consultants,
- ✓ Industry associations and faculty members at universities.

6.8 Characteristics of an Effective Trainer

The trainer should have:

- A desire to teach the subject being taught.
- A working knowledge of the subject being taught.
- An ability to motivate participants to “want” to learn.
- A good sense of humor
- A dynamic appearance and good posture.
- A strong passion for their topic.
- A strong compassion towards their participants.
- Appropriate audio/visual equipment to enhance the training session.

6.9 Issues in Employee Training

- ✓ **Communications:** The increasing diversity of today’s workforce brings a wide variety of languages and customs.
- ✓ **Computer skills:** Computer skills are becoming a necessity for conducting administrative and office tasks.
- ✓ **Customer service:** Increased competition in today’s global marketplace makes it critical that employees understand and meet the needs of customers.
- ✓ **Diversity:** Diversity training usually includes explanation about how people have different perspectives and views, and includes techniques to value diversity.
- ✓ **Ethics:** Today’s society has increasing expectations about corporate social responsibility. Also, today’s diverse workforce brings a wide variety of values and morals to the workplace.
- ✓ **Human relations:** The increased stresses of today’s workplace can include misunderstandings and conflict. Training can help people to get along in the workplace.
- ✓ **Quality initiatives:** Initiatives such as Total Quality Management, Quality Circles, benchmarking, etc., require basic training about quality concepts, guidelines and standards for quality, etc.
- ✓ **Safety:** Safety training is critical where working with -heavy equipment, hazardous chemicals, repetitive activities, etc., but can also be useful with practical advice for avoiding assaults, etc.
- ✓ **Sexual harassment:** Sexual harassment training usually includes careful description of the organization’s policies about sexual harassment, especially about what are inappropriate behaviors.

6.10 Executive Development

It is also known as 'executive development' or 'management development'. It is one of the fastest developing areas in personnel. It is realized that an effective management team may be as important to the survival of an organization as any tangible item on the balance sheet. Interest in management development is great partly due to the shortage of well-trained managers. Executive development or management development is a systematic process of learning and growth by which

managerial personnel gain and apply knowledge, skills, attitudes and insights to manage the work in their organization effectively and efficiently.

Definitions

Johnson and Sorcher, "Management development focuses on developing in a systematic manner, the knowledge base, attitudes, basic skills, interpersonal skills and technical skills of the managerial cadre."

Flippo, "executive development includes the process by which managers and executives acquire not only skills and competency in their present job but also capabilities for future managerial tasks of increasing difficulty and scope."

Aims of Management/Executive Development:

The program of executive development aims at achieving following purposes: -

- To sustain good performance of managers throughout their careers by exploiting their full potential.
- To understand economic, technical, and institutional forces in order to solve business problems.
- To acquire knowledge about problems of human resources.
- To think through problems this may confront the organization now or in the future.
- To develop responsible leaders.
- To inculcate knowledge of human motivation and human relationships.
- To increase proficiency in management techniques such as work study, inventory control, operations research and quality control.

Characteristics of Executive Development

The characteristics of executive development are as following:-

- Executive development is a planned and organized process of learning.
- It is an ongoing and never ending exercise.
- Executive development is a long term process as managerial skills cannot be developed overnight.
- It aims at preparing managers for managers.

Today, it is the growth that makes one person stay at the company. The opportunity and challenges is what keeps a person satisfied and charmed with his job. Companies have understood this fact and therefore are forming policies and procedures to develop their employees.

6.11 Executive Development Program (EDP)

It is one such program. With Human resource making a move from a welfare department to a strategic partner, more and more companies are undertaking this program. We at Career Solutions provide' you the opportunity of developing a specific EDP for your company. There are four major steps to be covered during the EDP-

- **Problem Assessment:** The experts along with the concerned employees and CEO shall begin with an assessment of the company's current problem and owner's plans of the future.
- **Management Audit and Appraisal:** There shall be regular feedback sessions to check as to whether we are reaching where we are supposed to reach.

- **Analysis of Development Needs:** Here the problem that has been uncovered shall be tried to and remedied via a development program.
- **Identify Replacement Needs:** The assessment may uncover a need to recruit and select new management talent. The format of EDP will vary with company's size and nature of operation so as to provide optimum result.

6.12 Importance of Executive Development

Executive development is more future oriented. It is more concerned with education than is employee training. In today's competitive environment, an organization has to be concerned about the development of supervisors, middle level managers and top-level executive.

Executive development is important for the following reasons: -

- ✓ Executive development programmes are required to train and develop professional managers.
- ✓ It helps managers to develop skills to face cut throat competition.
- ✓ It enables managers to face problems related to technology and institution.
- ✓ It helps in developing better relations with the labours.
- ✓ Executives need training and education to understand and adjust to changes in socio economic changes.
- ✓ Executive development is required to broader the outlook of manager.

6.13 Factors Influencing Executive Development

A host of factors influencing the executive development processes in organizations are as follows:-

- ✓ Failure to train the managers will lead to ineffective and inefficient managers who negatively affect the organization's performance.
- ✓ In the absence of training and developmental avenues, the performing managers may get demotivated and frustrated in leading the organizations. This would lead to severe losses for the organization in financial parameters, in terms of the cost of recruiting and training the new incumbent.
- ✓ The organizational performance may be affected by the loss of market shares, lower sales, reduced profitability, etc.
- ✓ The absence/ shortage of trained and skilled managers make it important for the organizations to have appropriate retention strategies. Training and development is being used by organizations as a part of their retention strategy.
- ✓ The competitive pressures make it necessary for organizations to continuously roll out new products and services, and also maintain the quality of the existing ones. The training and development of managers would help them in developing the competencies in these areas.
- ✓ The competitive environment is making it imperative for the organizations to continuously restructure and re-engineer, and to embark upon these processes, it is essential for the organizations to train the managers for the new scenarios.

6.14 Stages in Process of Executive Development

Contemporary organizations have realized the importance of human capital and increasingly finding its necessary to continuously train and develop human resources. The training and development needs of the employees cannot be looked at in isolation; any proactive organization has to view the

individual training needs in the overall organizational context. The training and development processes are not longer adjunct to other departments but have become a part of organizational strategy and one of the key organizational objectives. The following are the stages of the process:

Stage I: In the Stage I, at the macro level, there are three key elements, considered as competitive advantage, organizational strategy and organizational objectives. The analysis of competitive environment helps the organization to decide its competitive positioning in the market place, based on which the organizational strategy is drawn out in an attempt to transform or reposition of the organization. The macro view is broken down into specific organizational objectives for further dissemination to functional or departmental, and individual level.

Stage II: This stage is most important and crucial phase of executive development process.- This stage deals analysis on the competency mapping, identification of competency gap and career planning. In the competency stage which helps to capture the competencies of all the employees of the organization which includes the capacities of the management also. In the second stage, the organizational requirements and competency gap to be analyzed. In the third phase, this deals with identifying and verifying the organizational needs, individual growth along with career planning of the executives.

Stage III: This stage is consisting of three levels. The first level of this stage deals with the activities involving training need assessment of individuals and of all employees based on which Annual Training Plan (ATP) is drawn. Based on the annual training plan the employees are chosen to expose to either corporate training program, for internal training programs and external organizations. While deciding the venue and types and nature of the training program the personnel department and training facilitator should consider the various issues like no of executives, cost, outsourcing and availability of technical expertise in the organizations. In case of organizational development related exercises, the combination of internal and external training programs should be arrange for all the employee of the organization.

Though the money, infrastructure and finally the manpower to be utilized in the whole process keeping into this, the top management has to take decision in this regard. The training department, management and HR Department should work in union. It is a collective phenomenon, which is mostly initiatives, motives of the top management.

Process of Executive Development

The process of executive development is as follows:

- ✓ **Analysis of Development Needs:** First of all the present and future development needs of the organization are ascertained. It is necessary to determine how many and what type of executives are required to meet the present and future needs of the enterprise.
- ✓ **Appraisal of the Present Managerial Talent:** A qualitative assessment of the existing executives is made to determine the type of executive talent available within the organization.
- ✓ **Planning Individual Development Programmes:** Each one of us has a unique set of physical, intellectual and emotional characteristics. Therefore, development plan should be tailor-made for each individual.
- ✓ **Establishing Training and Development Programme:** The HR department prepares comprehensive and well conceived programmes.
- ✓ **Evaluating Developing Programs:** Considerable money, time and efforts are spent on executive development programmes. It is therefore natural to find out to what extent the programme's objective has been achieved.

6.15 Evaluation of Executive Development

In the competition scenario; where the focus is on efficiency and profitability and the return on investment (ROI) on all the activities of the organization, executive development cannot be an exception to the phenomenon. The evaluation of the process assumes importance from the following perspectives:

- ✓ Improving the quality of the training and development process.
- ✓ Improving the efficiency and competency of the trainers.
- ✓ Making improvements in the system to make it more responsive and realistic.
- ✓ Aligning the training activities to the organizational objectives.
- ✓ Building the cost implications of the training into the organizational budget.
- ✓ Evaluating the ROI on account of training and development to justify further investments.
- ✓ Changing the perception of the management on training as expenditure to more as an investment for the future growth of the organization.

The levels of evaluation include the reaction level, immediate level, intermediate level, and ultimate level. For the purpose of evaluation, it is essential to collect the data for which there should be appropriate measures for data collection, both during the course of the training programme and after the training programme. Some of the methods being used by experts are self-complete questionnaires, interviews, observations, and desk research. The desk research involves low cost and less amount of time.

6.16 Methods of Executive Development

Management development programs help in acquiring and developing managerial skill and knowledge. A Variety of methods of management development have come into prominence these days. Different types of techniques are used to acquire and develop various types of managerial skill and knowledge as given in the table below:

S. No.	Competency Development Area	Methods
1.	Decision-making skill	In-basket, Business games, Case study
2.	Interpersonal skill	Role plying, Sensitivity Training
3.	Job Knowledge	On-the-Job experiences, Coaching, Understudy
4.	Organizational Knowledge	Job Rotation, Multiple Management
5.	General Knowledge	Special course, Special Meeting, Specific Reading
6.	Specific Individual Needs	Special Projects, Committee Assignments

Managerial Training / Management Development:

The following diagram shows the stages involved in the managerial training.

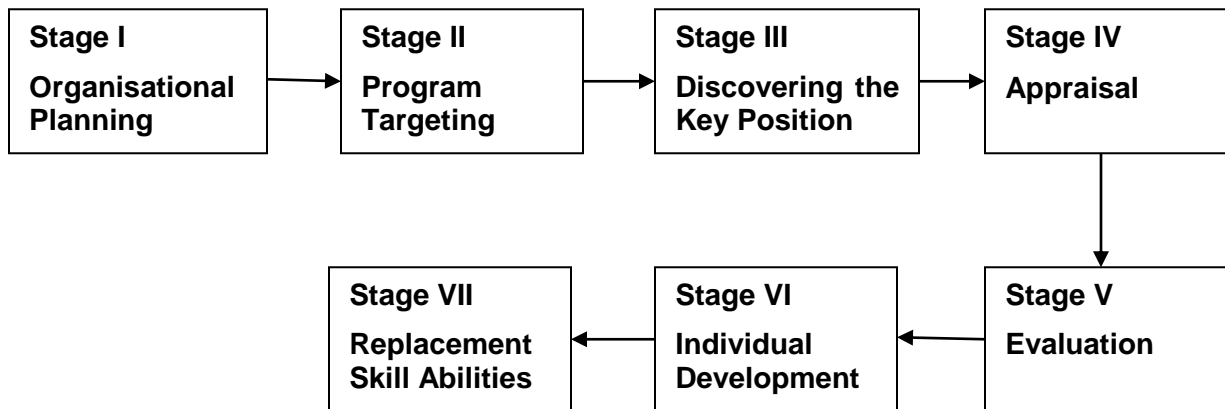


Figure 6.1 Stages of Managerial Training

The following essential aspects in order to make the programmes a success:

- Policy decisions
- Acceptance
- Appreciation
- Support
- Conducive atmosphere
- Strong urge for learning
- Participation
- Identification of strength and weakness
- Involvement
- Self-development

6.17 Techniques of Executive Development

The various techniques of executive development may be classified into two broad categories:-

On the Job Techniques:

It is delivered to employees while they perform their regular jobs. In this way, they do not lose time while they are learning. After a plan is developed for what should be taught, employees should be informed of the details. A time-table should be established with periodic evaluations to inform employees about their progress. On-the-job techniques include orientations, job instruction training, apprenticeships, internships and assistantships, job rotation and coaching. It consists of:

- ❖ **Coaching-** Coaching is a one-to-one relationship between trainees and supervisors which offers workers continued guidance and feedback on how well they are handling their tasks. The coach assigns the task, monitors the trainee behavior, and provides

reinforcement and feedback. Coaching is commonly used for all kinds of trainees, from unskilled to managerial position. This method is critically depends on the quality of the coach.

- ❖ **Under Study-** An understudy may be assistant to someone or special assistant to some supervisory or executive positions. He learns by experience, observation, guidance and coaching.
- ❖ **Position Rotation-** This involves the movement of the trainee from one job to another. This helps him to have a general understanding of how the organization functions. Apart from releasing boredom, Job rotation-allows workers to build rapport with' a wide range of individuals within the organization, facilitating future cooperation among various departments. Such cross-trained personnel offer a great deal of flexibility for organizations when transfers, promotions or replacement become inevitable.
- ❖ **Multiple Management-** It provides knowledge about the organization to the junior and middle managerial personnel. Here the members are exposed to all types of the decision taken at higher level.

Off-the-Job Technique:

It consists of:

- ❖ **Lectures-** It is a traditional and direct method of instruction. The instructor organizes the material and gives it to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees. An advantage of this method is that it is direct and can be used for a large group of trainees. The major limitation of this method is that it does not provide for the transfer of training effectively.
- ❖ **Case Studies-** It presents the trainees with a written description of a business or organizational problem. The object of the case method is to teach the trainees how to analyze information, generate alternative decisions, and evaluate the alternatives. Cases can be analyzed by individuals or small groups. Feedback and reinforcement are provided through oral discussion or written comments from the instructor.
- ❖ **Group Discussions-** This method is a direct discussion on a specific topic conducted with a relatively small group of trainees. This, method is useful for teaching and exploring difficult conceptual materials, and for changing attitudes and opinions. It provides opportunity for feedback, reinforcement practice, motivation, and transfer, largely due to the active interchange of ideas between the participants.
- ❖ **Role Playing-** In most of role-playing assignments, each of the student takes the role of a person affected by an issues on human life and effect the human activities all around us from the perspective of that person.
- ❖ **Management Games-** Verities of business and management games have been devised and are being used with the varying degree of success in the developing programmes. A management game is classroom exercise in which a number of team of trainees competes against each other to achieve certain objectives, success; etc.
- ❖ A number of executive development methods are available. Generally these methods are used in combination of two or more.
- ❖ **Sensitivity Training-** It has been successfully employed by behavioral scientists over the past thirty years. Sensitivity to the circumstances and feeling of others is the cornerstone of human relationships. It is important to note that sensitivity is not just an emotion; it must express itself in actions as well, especially when people we know are experiencing pain and difficulties.

6.18 Self Check Exercise

1. Discuss Training and objectives of Training and Development.
2. Explain on-the job training.
3. Explain the characteristics of an effective trainer.
4. Define executive development.
5. Discuss executive development programme.

6.19 Summary

The term training refers to the acquisition of knowledge, skills, and competencies as a result of the teaching of vocational or practical skills and knowledge that relate to specific useful competencies. It forms the core of apprenticeships and provides the backbone of content at institutes of technology. In addition to the basic training required for a trade, occupation or profession, observers of the labor-market recognized the need to continue training beyond initial qualifications: to maintain, upgrade and update skills throughout working life. People within many professions and occupations may refer to this sort of training as professional development.

Training improves, changes, and moulds the employee's knowledge, skill, behaviour and aptitude and attitude towards the requirement of the job and the organization. After an employee is selected, placed and introduced in an organization, he/she must be provided with training facilities in order to adjust him/her to the job.

Employee development, however, is a much bigger, inclusive "thing". For example, if a manager pairs up a relatively new employee with a more experienced employee to help the new employee learn about the job, that's really employee development. If a manager coaches an employee in an ongoing way, that's employee development. Or, employees may rotate job responsibilities to learn about the jobs of their colleagues and gain experience so they might eventually have more promotion opportunities. That's employee development.

6.20 Glossary

1. **Counselling** - The discussion of an employee's problem with a view to help the employee cope with it.
2. **Development** - Broadening an individual's knowledge, skills and abilities for future responsibilities.
3. **Job Instruction Training** - Training received directly on the job.
4. **Job Rotation** - Moving a trainee from job to job so as to provide cross training.
5. **Role Playing** – A development technique requiring the trainee to assume a role in a given situation and act out behaviours associated with that role.
6. **Vestibule Training** – A training method involving the creation of training facilities separate from the regular production area but with the same equipment.

6.21 Answer to Self Check Exercise

1. For Answer refer to section 6.1, 6.2.
2. For Answer refer to section 6.5
3. For Answer refer to section 6.8
4. For Answer refer to section 6.10

5. For Answer refer to section 6.11

6.22 Terminal Questions

1. Explain the term training and the need of training for organizations.
2. Distinguish between training and development.-
3. Explain the methods and approaches to training.
4. Explain various on the job and off the job training methods in detail.
5. Training should be aligned to business needs. How will you align training to business needs?
6. What do you mean by Executive Development? What are the factor influencing Executive Development?
7. What are the different methods of Executive Development?

6.23 Suggested Readings

- Aswathappa K. "Human Resource and Personnel Management" - Text and Cases, Tata McGraw Hill Publishing Company Ltd., New Delhi.
- Chhabra T.N. "Human Resources Management – Concepts and Issues, Fourth Edition", Shampat Rai & Co., Delhi.
- Gupta, C. B., "Human Resource Management", Sixth Edition, Sultan Chand & Sons, New Delhi.
- Dessler, G., 'Human Resource Management', Prentice Hall, New York.
- Grundy, T. and Brown, L., 'Value-based Human Resource Strategy; Elsevier, Boston.
- Mabey, C. and Salaman, G., "Strategically Managing Human Resources"; Infinity Books, New Delhi.
- Rao, V.S.P., "Managing Human Resources- Text and Cases", Excel Books, New Delhi.

---//---

Chapter-7

Job Evaluation

Structure

- 7.0 Learning Objectives
- 7.1 Introduction
- 7.2 Objectives of Job Evaluation
- 7.3 Principles of Job Evaluation
- 7.4 Process of Job Evaluation
- 7.5 Methods of Job Evaluation
- 7.6 Essentials for the Success of a Job Evaluation Programme
- 7.7 Advantages of Job Evaluation
- 7.8 Limitations of Job Evaluation
- 7.9 Self Check Exercise
- 7.10 Summary
- 7.11 Glossary
- 7.12 Answers to Self Check Exercise
- 7.13 Terminal Questions
- 7.14 Suggested Readings

7.0 Learning Objectives

After reading the lesson, you should be able to :-

1. understand the concept of Job Evaluation.
2. know the objectives, Principles of Job Evaluation.
3. understand the process and methods of Job Evaluation.
4. know the advantages and limitations of Job Evaluation.

7.1 Introduction

Job Evaluation is a systematic and orderly process of determining the worth of a job in relation to other jobs. The objective of this process is to determine the correct rate of pay. It is therefore not the same as job analysis. Rather it follows the job analysis process, which provides the basic data to be evaluated.

Job evaluation is the process of analyzing and assessing the various jobs systematically to ascertain their relative worth in an organization. Job is evaluated on the basis of their content and is placed in the order of their importance. It should be noted that in a job evaluation programme, the jobs are ranked and not the jobholders. Jobholders are rated through performance appraisal.

Definitions

Scott, Clothier and Priegel defines job evaluation as “the operation of evaluating a particular job in relation to other jobs either within or outside the organization”.

Dale Yoder described job evaluation as “a practice which seeks to provide a degree of objectivity in measuring the comparative value of jobs within an organization and among similar organizations”.

Edwin B. Flippo defines job evaluation as “a systematic and orderly process of determining the worth of a job in relation to other jobs”.

“Job evaluation is a process of finding out the relative worth of a job as compared to other jobs”

7.2 Objectives of Job Evaluation

The following are the objectives of job evaluation:

- To gather data and information relating to job description, job specification and employee specifications for various jobs in an organization.
- To compare the duties, responsibilities and demands of a job with that of other jobs.
- To determine the hierarchy and place of various jobs in an organization.
- To determine the ranks or grades of various jobs.
- To ensure fair and equitable wages on the basis of relative worth or value of jobs. In other words equal wages are fixed to the jobs of equal worth or value.
- To minimize wage discrimination based on sex, age, caste, region, religion etc.

7.3 Principles of Job Evaluation

Job evaluation programme should be implemented carefully. The following principles help in successful implementation of the programme:

- Rate the job but not the employee. Rate the elements on the basis of the job demands.
- The elements selected for rating should be easily understood.
- The elements should be defined clearly and properly selected.
- Employees concerned and the supervisors should be educated and convinced about the programme. Supervisors should be encouraged to participate in rating the jobs.
- Secure employee cooperation by encouraging them to participate in the rating programme.
- Discuss with the supervisors and employees about rating but not about assigning money values to the points.
- Do not establish too many occupational wages.

7.4 Process of Job Evaluation

Job Evaluation is a technique to rank jobs in an organization on the basis of the duties and responsibilities assigned to the job. The job evaluation process results in a job being assigned to a pay grade. The pay grade is associated with a pay range that is defined by a minimum and a maximum pay rate. A model of job evaluation process with the following steps is presented below

Step 1- Job Description: The position supervisor assigns duties and writes the job description. If there is an incumbent employee, she/he reviews it, and they both sign it. Instructions and additional assistance are available from Human Resources, if needed. The job description is a snapshot of the job as it presently exists, reflecting the current duties and responsibilities of the job and/or the incumbent.

Step 2- Approval: The vice president reviews job descriptions and, if she/he concurs, approves the responsibilities, requirements, and departmental organization contained within a job description presented for new evaluation, and signs it. If the vice president does not concur with the contents of the description, it is returned to the supervisor for changes.

Step 3- Review: Human Resources reviews the job description as submitted with the supervisor prior to evaluation by the Job Evaluation Committee. Human Resources help ensure that there is consistency and equity in the job descriptions and titles by editing them for clarity and format. If the Human Resources Office makes Changes, the job description is returned to the supervisor and vice president for signature prior to being presented to the Job Evaluation Committee.

Step 4- Evaluation: The Job Evaluation Committee (JEC) is a multimember committee, the members of which are appointed by the Staff Salary Administration Committee (SSAC), representing employees throughout organization. JEC ensures equity among jobs through the use of established, consistent criteria for evaluation and prevents escalation of the job evaluation grades by validating changes in job content presented for review. Members of JEC receive in-depth training on job evaluation and utilize a consistently applied point system for the evaluations.

Step 5- Confirmation: Staff Salary Administration Committee (SSAC) confirms all job evaluations and titles recommended by Job Evaluation Committee (JEC). This committee is composed of the SLCC Vice Presidents, the human resources director, and other relevant co-opted experts. After confirmation of the evaluation job description, SSAC advises the supervisor of the results of the evaluation and the title. The supervisor then advises the employee of the results of the job evaluation

Computerized Job Evaluation

Much of the time-consuming effort spent on maintaining a job evaluation programme can be reduced by combining personal computers with job evaluation software. Computer- aided system simplifies the administration of job evaluation programmes and provides a more expedient means of processing job evaluation information. Job data can be collected from supervisors by using a structured, machine-scoreable questionnaire. Computer software can be used to analyze the questionnaire responses and perform the job evaluation. With the advent of skill-based pay, which focuses on an employee's education, experience, and skills developed in programmes, a computer programme can update employee knowledge and skills as they are acquired. Pay adjustments are then made to reflect the employee's increased knowledge and skills.

Staffing the Evaluation Exercise

A committee, which consists of Head of several departments, as was pointed out earlier, does representatives of employee unions and specialist drawn from the National Productivity council Job evaluation. HR specialists will be normally the chairmen of the committee. Responsibility for the overall coordination of the job-evaluation programme should be in the hands of a senior executive who can then report its progress to the board, and advise it on ensuring wage and salary development.

Training for the Job-Evaluation Committee

Members of the job-evaluation committee should be trained in its procedure so as to make the program successful.

Time Factor

Job evaluation should not be conducted in haste. Any rushing through will lead to appeals against the grading of jobs. Eight jobs in a day can be the ideal pace. After this, the quality of evaluation tends to drop, and more time has to spend later in checking, and assessing the validity of the grading. The final review of all the time should be allowed for re-evaluation, if necessary.

Isolating Job-Evaluation Criteria

The heart of job evaluation is the determination of the criteria for evaluation. Most job evaluations use responsibility, skill, effort and working conditions as major criteria. Other criteria used are difficulty, time-span of discretion, size of subordinate staff, and degree of creativity needed. It needs no emphasis that job evaluation criteria vary across jobs.

7.5 Methods of Job Evaluation

Job-evaluation methods are of two categories-Analytical and Non Analytical

Analytical Methods:

Point Method

Factor Comparison Method

Point Method:

The system starts with the selection of job factors, construction of degrees for each factor, and assignment of points to each degree. Different factors are selected for different jobs, with accompanying differences in degrees and points.

The National Electrical Manufacturing Association (NEMA), USA has suggested the factors, degrees and point for hourly rated and salaried jobs. The job factors taken into consideration by NEMA for hourly rated jobs are:

- **Skill**

- Education

- Experience

- Initiative & ingenuity

- **Effort**

- Physical demand

- Mental and / or visual demand Responsibility

- Responsibility for equipment or process

- Responsibility for materials or product

- Responsibility for safety of others

- **Job Conditions**

- Working conditions

- Hazards

- ❖ NEMA's Manual for salaried jobs Factors:

- ✓ Education

- ✓ Experience

- ✓ Complexity of duties

- ✓ Monetary responsibility

- ✓ Working Condition

- ✓ Contacts

- ✓ Types of Supervision
- ✓ Extent of Supervision

Factor-Comparison Method:

The factor-comparison method is yet another approach for job evaluation in the analytical group. Under this method, one begins with the selection of factors; usually five of them are assumed to be constant for all the jobs. Each factor is ranked individually with other jobs. For example, all the jobs may be compared first by the factor 'mental requirements.' the skills factor, physical requirements, responsibility, and working conditions are ranked. The total points are then assigned to each factor. The worth of a job is then obtained by adding together all the point values.

Non-Analytical:

- Ranking Method
- Banding Method
- Grading Method

Non-Analytical Methods

Ranking and job classification methods come under this category because they make no use of detailed job factors. Each job is treated as a whole in determining its relative ranking.

Ranking Method

This is the simplest, the most inexpensive and the most expedient method of evaluation. The evaluation committee assesses the worth of each job on the basis of its title or on its contents, if the latter is available. But the job is not broken down into elements or factors. Each job is compared with others and its place is determined. The method has several drawbacks. Job evaluation may be subjective, as the jobs are not broken into factors. It is hard to measure whole jobs..

Ranking is the most straightforward method of work evaluation. Jobs, people, or even teams can be ranked from the ones adding most value to least value to the organization. Criteria for the ranking are not made explicit. Jobs rather than people are easier to rank when there are a large number of people in jobs. Teams can be ranked in a team-based environment as a substitute for or addition to the ranking of jobs and people. When a larger number of jobs, people, or teams are to be ranked, the method of paired comparisons can be used.

With this approach each entity is compared to every other entity in terms of value to the organization. Overall value of the entity is determined by the number of times that the entity is evaluated as being of greater value than the entity being compared against. If an extremely large number of comparisons need to be made, statistical formulas are available to reduce the number of comparisons required using sampling theory.

Advantages

- ✓ Simple to use, if there is a small number of job, people, or teams to evaluate.
- ✓ Requires little time.
- ✓ Minimal administration required.

Disadvantages

- ✓ Criteria for ranking not understood
- ✓ Increases possibility of evaluator bias
- ✓ Very difficult to use if there is a large number of jobs, people, or teams to evaluate

- ✓ Rankings by different evaluators are not comparable
- ✓ Distance between each rank is not necessarily equal
- ✓ May invite perceptions of inequity.

Banding

A banding procedure takes place when jobs are grouped together by common characteristics. Characteristics used to group jobs follow: exempt versus non-exempt, professional versus non-professional, union versus non-union, key contributor versus non-key contributor, fine versus staff, technical versus non-technical, value-added versus non-value-added, and classified versus non-classified. Often these groups are then rank ordered and each group is then placed in a pay band.

Advantages

- ✓ Quick and easy procedure
- ✓ Has initial face validity to employees
- ✓ Allow for organizational flexibility
- ✓ Minimal administration required

Disadvantages

- ✓ Subtle, but important, differences between groups ignored
- ✓ Subtle, but important, differences within groups ignored
- ✓ May invite inequity perceptions

Classification

Classification systems define the value of jobs, people, or teams with written standards for a hierarchy of classification level. Each classification level may be defined by a number of factors that need to be present for a job, person, or team to be slotted into a particular classification level. These factors are usually blended together resulting in one standard for each classification level.

Advantages

- ✓ Jobs, people, and teams can be quickly slotted into the structure
- ✓ Classification levels have face validity for employees
- ✓ Standards to establish value are made explicit

Disadvantages

- ✓ Many jobs, people, or teams do not fit neatly into a classification level
- ✓ Extensive judgment is required because standards used to define each factor are blended together
- ✓ Differences between classification levels may not be equal
- ✓ Creates status hierarchies within organizations
- ✓ Extensive administration required

Job-Grading Method

As in the ranking method, the job-grading method (or job-classification method) does not call for a detailed or quantitative analysis of job factors. It is based on the job as a whole.

The difference between the two is that in the ranking method, there is no yardstick for evaluation, while in the classification method, there is such a yardstick in the form of job classes or grades. Under the classification method, the number of grades is first decided upon, and the factors corresponding to these grades are then determined.

Advantages:

- ✓ Job grade descriptions are vague and are not quantified;
- ✓ Difficulty in convincing employees about the inclusion of a job in a particular grade because of vagueness of grade descriptions; and
- ✓ More job classification schedules need to be prepared because the same schedule cannot be used for all types of jobs.

How to Improve Job Evaluation?

Following measures and steps for improving the work of evaluation programmes;

- A job evaluation scheme should be chosen cautiously. It should be devised and administered on the basis of employment market, demand for labour, bargaining power of the parties & job conditions.
- The details of the scheme should be drawn up in such a way that they do not conflict with other provision of a collective agreement.
- The scheme should be sold to all concerned and suggestions sought.
- Give major importance that the number of job titles and classification is kept to a minimum.
- Any anticipated changes in methods should be carried out before a scheme is installed and all modifications in it should be resisted until it becomes fully established.
- In preparing job descriptions it is a sound practice to emphasis in them the things which makes one job different from another rather than to find a comprehensive statement of all the duties of the job.
- The better the state of industrial relations the easier it is to introduce a job evaluation scheme.

7.6 Essentials for the Success of a Job Evaluation Programme

Following are the essential for the success of Job Evaluation:

The Compensable factors should represent all of the major aspects of job content. Compensable factors selected should:

- Avoid excessive overlapping or duplication,
- Be definable and measurable,
- Be easily understood by employees and administrators,
- Not cause excessive installation or admin cost and
- Be selected with legal considerations in mind.

Operating managers should be convinced about the techniques and programme of evaluation. They should also be trained in fixing and revising the wages based on job evaluation.

7.7 Advantages of Job Evaluation

According to the International Labour Organization, job evaluation offers the following advantages:

- Job evaluation being a logical process and objective technique helps in developing a equitable and consistent wage and salary structure based on the relative worth of jobs in an organization.
- By eliminating wage differentials within the organization, job evaluation helps in minimizing conflict between labour unions and management and, in turn, helps in promoting harmonious relations between them.
- Job evaluation simplifies wage administration by establishing uniformity in wage rates.
- It provides a logical basis for wage negotiations and collective bargaining.
- In the case-new jobs, job evaluation facilitates spotting them into the existing wage and salary structure.
- In the modern times of mechanisation, performance depends much on the machines than on the worker himself/herself. In such cases, job evaluation provides the realistic basis for determination of wages.
- The information generated by job evaluation may also be used for improvement of selection, transfer and promotion procedures on the basis of comparative job requirements.
- Job evaluation rates the job, not the workers. Organizations have large number of jobs with specialisations. It is job evaluation here again which helps in rating all these jobs and determining the wages and salary and also removing ambiguity in them.

7.8 Limitations of Job Evaluation

In spite of many advantages, job evaluation suffers from the following drawbacks/ limitations

- Job evaluation is susceptible because of human error and subjective judgement. While there is no standard list of factors to be considered for job evaluation, there are some factors that cannot be measured accurately.
- There is a variation between wages fixed through job evaluation and market forces. Say Kerr and Fisher, the jobs which tend to rate high as compared with the market are those of junior, nurse and typist, while craft rates are relatively low. Weaker groups are better served by an evaluation plan than by the market, the former places the emphasis not on force but on equity.
- When job evaluation is applied for the first time in an organization, it creates doubts in the minds of workers whose jobs are evaluated and trade unions that it may do away with collective bargaining for fixing wage rates.
- Job evaluation methods being lacking in scientific basis are often looked upon as suspicious about the efficacy of methods of job evaluation.
- Job evaluation is a time-consuming process requiring specialised technical personnel to undertake it and, thus, is likely to be costly also.
- Job evaluation is not found suitable for establishing the relative worth of the managerial jobs which are skill-oriented. But, these skills cannot be measured in quantitative terms.
- Given the changes in job contents and work conditions, frequent evaluation of jobs is essential. This is not always so easy and simple.
- Job evaluation leads to frequent and substantial changes in wage and salary structures. This, in turn, creates financial burden on organization.

7.9 Self Check Exercise

1. Define Job Evaluation.
2. Discuss Factor Comparison Method of Job Evaluation.
3. What are the advantages of job Grading Method?
4. Describe the advantages of job evaluation.

7.10 Summary

Job evaluation is an attempt to assess and evaluate a specific job or category of jobs, not the person holding the job. The assessment of the job reflects the worth of a job in the hierarchical jobs of organization. Based On the worth of each job, compensation is decided to each and every job without any imbalance in monitory terms. The latter issue is the function of performance appraisal rather than job evaluation.

A job evaluation scheme should be chosen cautiously. It should be devised and administered on the basis of employment market, demand for labour, bargaining power of the parties & job conditions. All the employees should be provided with complete information about job Evaluation techniques and programme. All groups and grades of employees should be covered by the job evaluation. The results of job evaluation must be fair and rational and unbiased to the individuals being affects.

7.11 Glossary

1. **Job** – A job is any legal activity that allows an individual to perform a service and in return earn credits she/he can use to buy things.
2. **Job Evaluation** – A systematic and orderly process of determining the worth of a job in relation to other jobs.
3. **Job description** – A formal account of an employee’s responsibilities.
4. **Job Grading** – The process of comparing jobs in an organization to measure levels of responsibility often used for deciding levels of pay.
5. **Job Banding** – It is a position classification strategy that combines several related positions into one “job band” with established criteria for how employees can move from one level to the next.

7.12 Answer to Self Check Exercise

1. For Answer refer to section 7.1
2. For Answer refer to section 7.5
3. For Answer refer to section 7.5
4. For Answer refer to section 7.7

7.13 Terminal Questions

1. What is job evaluation?
2. What are the objectives of job evaluation
3. What are the principles of job evaluation?
4. Discuss the process of job evaluation.
5. Discuss the advantages of job evaluation.

6. Define job evaluation. How does it differ from job analysis and performance appraisal?
7. What are the uses of job evaluation? What are the problems and limitations in job evaluation?
8. Discuss the steps involved in job evaluation process.
9. What are the methods through which a job may be evaluated? Discuss their relative merits and demerits.

7.14 Suggested Readings

- David a. Decenzo and Stephen P. Robbins “Personnel / Human Resource Management”, Prentice Hall of India Private Ltd, New Delhi
- K. Aswathappa;”Human Resource and Personnel Management- Text and case”, Tata McGraw Hill Publishing company Ltd, New Delhi
- Edwin B. Flippo; “Personnel Management”; McGraw Hill Book Company, Singapore.
- Wayne F.Casico, “Managing Human Resource- Productivity, Quatlty of Work Life, Profits” ,Tata Msgraw Hill Publishing Company Ltd, New Delhi.
- GS. Sudha; “Human Resource Management”; Professional Publications, Jaipur
- Shashi K. Gupta and Rosy Joshi; “Human Resource Management; Kalyani Publishing, New Delhi
- C.B. Mamoria and S.V. Gankar, ”Personnel Management- Text and Cases”; Himalaya Publishing House
- K. Aswathapa, Human Resource Management, Tata McGraw Hill.
- Dipak Kumar.Bhattacharyya, Human Resource Management, Excel Books.
- W.L..French, Human Resource Management, Houghton Mifflin, Boston.
- H.J. Bemardin, Human Resource Management, Tata McGraw Hill, New Delhi.
- J.M. Ivancevich, J.M. (2008), Human Resource Management, Tata McGraw Hill.
- Madhurima Lall and Sakina Qasim Zaidi, Human Resource Management, Excel Books.
- P.S. Rao, Essentials of Human Resource Management and Industrial Relations, Text cases and Games, Himalaya Publication.
- <http://www.psnacet.edu.in/courses/MBA/HRM/6.pdf>.

----//---

Chapter-8

Performance Appraisal

Structure

- 8.0 Learning Objectives
- 8.1 Introduction
- 8.2 Need of Performance Appraisal
- 8.3 Importance of Performance Appraisal
- 8.4 Objectives of Performance appraisal
- 8.5 Methods of Performance Appraisal
- 8.6 Process of Performance Appraisal
- 8.7 Factors Affecting Performance Appraisal
- 8.8 Benefits of Performance Appraisal
- 8.9 Problems of Performance Appraisal
- 8.10 Performance Appraisal Practices in India
- 8.11 Self Check Exercise
- 8.12 Summary
- 8.13 Glossary
- 8.14 Answers to Self Check Exercise
- 8.15 Terminal Questions
- 8.16 Suggested Readings

8.0 Learning Objectives

After reading the lessons, you should be able to:-

1. understand the concept of Performance Appraisal
2. know the need, importance and objectives of Performance Appraisal
3. list the methods, process and factors affecting Performance Appraisal
4. describe the benefits and problems of Performance Appraisal

8.1 Introduction

The performance appraisal is as old as mankind itself. In an official sense, performance appraisal of an individual began in the Wei dynasty (AD. 261-265) in China, where an Imperial Rater appraised the performance of the official family'. In 1883, the New York City Civil Service in USA introduced an official appraisal programme shortly before World War. However, official appraisal of employees' performance is thought to have been started for the first time during the First World War, when at the instance of Walter Dill Scott, the US Army: adopted the "Man- to-man' rating system for evaluating personnel. For being fair and unbiased, in judging the employee it is necessary to review the performance of the person in the organization. This is now done in a systematic way in most countries of the world.

The evaluation of an individual's performance in the organization is called Performance Appraisal. The, system of performance appraisal compels the management to have a promotion policy within the organization. It also gives motivation to those employees who are efficient and are capable of working in a best way. An organization's goals can be achieved only when people within the organization give their best efforts. How to know whether an employee has shown his or her best performance on a given job? The answer is performance appraisal.

In the organization context performance appraisal is an evaluation of personnel in a systematic way by superiors or others familiar with their performance. It is also described as merit rating in which one individual is ranked as better or worse in comparison to others. The basic purpose in this merit rating is to determine an employee's eligibility for promotion. However, performance appraisal is a broad term and it may be used to ascertain the need for training and development, salary increase, transfer, discharge, etc. besides promotion.

In simple terms, performance appraisal may be understood as the review of an individual's performance in an orderly way, the performance is measured by considering factors like job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility, health, and the like. Evaluation should not be restricted to past performance alone but, the future performances of the employee should also be assessed.

Performance appraisal may be understood as assessment or measurement of an individual's performance in systematic way. The performance being measured against such factors as job knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, cooperation, judgment, versatility, health and others.

All organisations use performance appraisal for various purposes. The main issue hovers around the question of what criteria should be used to appraise performance. Given that all appraisals involve judgements which are not always fair, organisations use multifarious techniques and tools to measure performances as objectively as possible. Besides a good technique, successful performance appraisal requires a consistent approach; clear standards and measures and bias free ratings. A critical part of the evaluation process is the preparation of the rater. Raters must be trained on the system being used and its purpose to ensure consistency and accuracy. Finally, if the employees' performance is to improve, they must be provided feedback on their performance and advice on how to make improvements.

Definitions

Flippo, "performance appraisal is the systematic, periodic and an impartial rating of an employee's excellence in the matters pertaining to his present job and his potential for a better job."

Yoder, "Performance appraisal refers to all formal procedures used in working organizations to evaluate personalities and contributions and potential of group members." Thus performance appraisal is a formal programme in an organization which is concerned with not only the contributions of the members who form part of the organization, but also aims at spotting the potential of the people."

International Labor Organization, "A regular and continuous evaluation of the quality, quantity and style of the performance along with the assessment of the factors influencing the performance and behavior of an individual is called as performance appraisal."

Alford and Beatty "It is the evaluation or appraisal of the relative worth to the company of a man's services on his job".

Thus, it is the systematic evaluation of the individual with respect to his or her performance on the job and his or her potential for development. Performance Appraisal is a formal structured system of measuring and evaluating an employee's job related behaviors and outcomes to discover how & why the employee is presently performing on the job and how the employee can perform more effectively in the future so that the employee, organization and society all benefit.

8.2 Need of Performance Appraisal

Performance is always measured in terms of outcome and not efforts. Performance Appraisal is needed in most of the organizations in order:

- To give information about the performance of employees on the job and give ranks on the basis of which decisions regarding salary fixation, demotion, promotion, transfer and confirmation are taken.
- To provide information about amount of achievement and behavior of subordinate in their job. This kind of information helps to evaluate the performance of the subordinate, by correcting loopholes in performances and to set new standards of work, if required.
- To provide information about an employee's job-relevant strengths and weaknesses.
- To provide information so as to identify shortage in employee regarding ability, awareness and find out training and developmental needs.
- To avoid grievances and in disciplinary activities in the organization.
- It is an ongoing process in every large scale organization.

8.3 Importance of Performance Appraisal

Performance appraisals in an organization provide employees and managers with an opportunity to converse in the areas in which employees do extremely well and those in which employees need improvement. Performance appraisals should be conducted on a frequent basis, and they need not be directly attached to promotion opportunities only. It is important because of several reasons such as:

- a. Personal Attention:** Performance appraisal evaluation, gives employee to draw personal concern from supervisor and talk about their own strengths and weaknesses.
- b. Feedback:** Employees on a regular basis get feedback of their performances and issues in which they lack, which needs to be resolved on a regular basis.
- c. Career Path:** It allows employees and supervisors to converse goals that must be met to grow within the company. This may encompass recognizing skills that must be acquired, areas in which improvement is required, and additional qualification that must be acquired.
- d. Employee Accountability:** Employees are acquainted that their evaluation will take place on a regular basis and therefore they are accountable for their job performance.
- e. Communicate Divisional and Company Goals:** It not only communicates employees' individual goals but provides an opportunity for managers to explain organizational goals and in the manner in which employees can contribute in the achievement of those goals.

8.4 Objectives of Performance Appraisal

Performance appraisal in any organization is undertaken to meet certain objectives which may be in the form of salary increase, promotion, recognizing training and development needs, providing feedback to employees and putting stress on employees for better performance.

An employee in an organization may think that performance appraisal is basically used by the organization to blame employees and to take corrective actions. An employee may feel that performance appraisal is introduced in an organization for punishment in such a case well thought out performance appraisal may results into failure. If the objectives set in a more positive, problems may arise as they may not all be achievable and they may cause conflict. For Example, an employee who is likely to be appraised will never discloses his loopholes as it may affect his appraisal. Thus the objective of performance appraisal should be clear and specific.

Thus including objectives into the appraisal system may draw attention to areas for improvement, new directions and opportunities.

- i. **Salary Increase:** Performance appraisal plays an important role in making decision about increase in salary. Increase in salary of an employee depends on how he is performing his job. Evaluation of an employee takes place on a continuous basis which may be formally or informally. In a large as well as in small organizations performance appraisal takes place but it may be in a formal or informal way. It shows how well an employee is performing and to what extent a hike in salary would take place in comparison to his performance.
- ii. **Promotion:** Performance appraisal gives an idea about how an employee is working in his present job and what his strong and weak points are. In comparison to his strength and weaknesses it is decided whether he can be promoted to the next higher position or not. If necessary what additional training is required. Similarly it could be used for demotion, discharge of an employee and transfer.
- iii. **Training and Development:** Performance appraisal gives an idea about strengths and weaknesses of an employee on his present job. It gives an idea about the training required by an employee for overcoming the limitations that an employee is having for better performance in future.
- iv. **Feedback:** Performance appraisal gives an idea to each employee where they are, how they are working, and how are they contributing towards achievement of organizational objectives. Feedback works in two ways. First, the person gets view about his performance and he may try to conquer his weaknesses which may lead to better performance. Second, the person gets satisfied after he relates his work with organizational objectives. It gives him an idea that he is doing a meaning full work and can also contribute in a better way.
- v. **Pressure on Employees:** Performance appraisal puts a sort of stress on employees for better performance. If the employees are aware that they are been appraised in comparison to their performance and they will have positive and acceptable behaviour in this respect

8.5 Methods of Performance Appraisal

There are a number of methods available to measure the employee's performance. These methods can be broadly classified into

1. Traditional Methods

Traditional methods include the following methods:

- a. **Graphical rating scale:** This is a method which is used to compare individual performance to an absolute standard. The performance is measured in a scale which is either continuous or discontinuous. The performance characteristics are denoted by personal quality such as dependability, leadership, initiative taker, innovation etc. The performance judgment is finally arrived for individual rating.
- b. **Ranking method:** It is one of the simplest and most commonly used methods of performance appraisal. The employees are ranked one after the other, from best to worst.
- c. **Paired comparison method:** This method employs comparison of employee to all other employees in a group, one at a time. This is a useful method where the number of comparisons made is less, while it becomes less effective in case the number of employees increases.
- d. **Grading method:** This is a method where the employees are put on different grades or categories like excellent, very good, good, average, poor, very poor etc. This grade helps in identifying the performance of the employees.

- e. **Forced distribution method:** Under this method of performance appraisal, the rater after assigning the point to the performance of each employee has to distribute his ratings in the pattern to conform the normal frequency distribution curve.
- f. **Checklist method:** It is also known as questionnaire method. It is a simple method of performance appraisal where the supervisors are given a list of statements or questions and are asked to check against employee's performance.
- g. **Critical incident method:** Under this method the critical incidence of the employees are taken into consideration for making the comparison. Critical incident are the key act of behaviour in employees which tends to differentiate them from one another. These incidents are put on rating on the basis of their importance to arrive at an appraisal system.
- h. **Essay or free form appraisal:** It is a method where the ratters are asked to write or give a description on the employee's performance on the job.
- i. **Group appraisal:** Here the employee is appraised by a group of appraisers. The group consists of the immediate supervisors of the employees.
- j. **Confidence reports:** It is presentation of employee's performance in the form of confidential reports.

2. Modern methods

Modern methods include the following methods:

a. Management by Objectives (MBO): The concept of 'Management by Objectives' (MBO) was coined by Peter Drucker in 1954. It is a process where the employees and the superiors come together to identify some goals which are common to them, the employees set their own goals to be achieved, the benchmark is taken as the criteria for measuring their performances and their involvement in deciding the course of action to be followed.

The basic nature of MBO is participative, setting their goals, selecting a course of actions to achieve goals and then taking decision. The most important aspect of MBO is measuring the actual performances of the employee with the standards set by them. It is also said to be a process that integrates organizational objectives into individual objectives.

Entire Programme of MBO is divided in four major steps i.e., setting up of goal, action planning, comparison and timely review. Setting up of goal-in goal setting superior and subordinate together set certain goals, i.e. the expected outcome that each employee is supposed to achieve.

In action planning, the manner in which goals could be achieved is determined i.e. identifying the activities which are necessary to perform; to achieve or determined goals or standards. When the employees start with their activities, they come to know what is to be done, what has been done, and what remains to be done and it also gives an idea about the resources to be achieved.

In the third step, the goals set by the individual employee are compared with the actual goals achieved. It gives an idea to the evaluator as why there is a variation in desired outcome and actual outcome .Such a comparison helps create need for training so as to enhance employees' performance.

Finally, in the timely review step, corrective actions are taken so that actual performances do not deviates from standards established in beginning. The main reason for conducting reviews is not to humiliate the performer but to assist him in better performances in future. Few advantages of MBO are a) it is outcome -oriented. It co-ordinates the planning and control functions and provides motivation) Employees are clear about the task that they are expected to perform and also how they may be evaluated.

MBO do have certain limitations such as it is time consuming, employees and the superiors jointly setting the goals may lead to conflict as employee would always like to set lower goal and the superior would like to set it on the higher side, lack of confidence in employee by management.

b. Behaviourally Anchored Rating Scales: This method is a combination of traditional rating scales and critical incidents methods. It consists of preset critical areas of job performance or sets of behavioral statements which describes the important job performance qualities as good or bad (for e.g. the qualities like inter personal relationships, flexibility and consistency, job knowledge etc). These statements are developed from critical incidents.

These behavioral examples are then again translated into appropriate performance dimensions. Those that are selected into the dimension are retained. The final groups of behavior incidents are then scaled numerically to a level of performance that is perceived to represent. A rater must indicate which behavior on each scale best describes an employee's performance. The results of the above processes are behavioral descriptions, such as anticipate, plan, executes, solves immediate problems, carries out orders, and handles urgent situations.

This method has following advantages:

- i. It reduces rating errors
- ii. Behavior is assessed over traits.
- iii. It gives an idea about the behavior to the employee and the rater about which behaviors bring good Performance and which bring bad performance.

c. Assessment Centres: It is a method which was first implemented in German Army in 1930. With the passage of time industrial houses and business started using this method. This is a system of assessment where individual employee is assessed by many experts by using different technique of performance appraisal. The techniques which may be used are role playing, case studies, simulation exercises, transactional analysis etc.

In this method employees from different departments are brought together for an assignment which they are supposed to perform in a group, as if they are working for a higher post or promoted. Each employee is ranked by the observer on the basis of merit. The basic purpose behind assessment is to recognize whether a particular employee can be promoted, or is there any need for training or development. This method has certain advantages such as it helps the observer in making correct decision in terms of which employee has the capability of getting promoted, but it has certain disadvantages also it is costly and time consuming, discourages the poor performers etc.

d. 360 Degree Performance Appraisals: This method is also known as 'multi-rater feedback', it is the appraisal in a wider perspective where the comment about the employees' performance comes from all the possible sources-that are directly or indirectly related with the employee on his job.

In 360 degree performance appraisal an employee can be appraised by his peers, managers (i.e. superior), subordinates, team members, customers, suppliers/ vendors - anyone who comes into direct or indirect contact with the employee and can provide necessary information or feedback regarding performance of the employee "on-the-job".

The four major component of 360 degree performance appraisal are:

- ✓ Employees Self Appraisal
- ✓ Appraisal by Superior
- ✓ Appraisal by Subordinate
- ✓ Peer Appraisal.

Employee self appraisal gives an option to the employee to know his own strengths and weaknesses, his achievements, and judge his own performance. Appraisal by superior forms the traditional part of the 360 degree performance appraisal where the employees' responsibilities and actual performance is judged by the superior.

Appraisal by subordinate gives a chance to evaluate the employee on the basis of communication and motivating abilities, superior's ability to delegate the work, leadership qualities etc.

It is also known as internal customers; the correct opinion given by peers can aid to find employees who are co-operative, employees who ready to work in a team and understanding towards others.

e. Cost Accounting Method: In this method performance of an employee is evaluated on the basis of monetary returns the employee gives to his or her organization. A relationship is recognized between the cost included in keeping the employee in an organization and the benefit the organization gets from him or her. The evaluation is based on the established relationship between the cost and the benefit.

The following factors are considered while evaluating an employee's performance:

- ✓ Interpersonal relationship with others.
- ✓ Quality of product produced or service given to the organization.
- ✓ Wastage, damage, accidents caused by the employee.
- ✓ Average value of production or service by an employee.
- ✓ Overhead cost incurred.

8.6 Process of Performance Appraisal

The performance appraisal system of one organization may vary from other organizations, though some of the specific steps that an organization may follow are as follows:

- a. **Establish Performance Standards:** It begins by establishing performance standards i.e. what they expect from their employee in terms of outputs, accomplishments and skills that they will evaluate with the passage of time. The standards set should be clear and objective enough to be understood and measured. The standards which are set are evolved out of job analysis and job descriptions. Standards set should be clear and not the vague one. The expectation of the manager from his employee should be clear so that it could be communicated to the subordinates that they will be appraised against the standards set for them.
- b. **Communicating the Standards set for an Employee:** Once the standards for performance are set it should be communicated to the concerned employee, about what it expected from them in terms of performance. It should not be part of the employees' job to estimate what they are expected do.

Communication is said to be two ways street, mere passing of information to subordinate does not mean that the work is done. Communication only takes place when the information given has taken place and has been received and understood by subordinate. If necessary, the standards may be tailored or revised in the light of feedback obtained from the employees.

- c. **Measuring of the Actual Performances:** It is one of the most crucial steps of performance appraisal process. It is very important to know as how the performance will be measured and what should be measured, thus four important sources frequently used by managers are personal observation, statistical reports, oral reports, and written reports. However, combination of all these resources gives more reliable information. What we measure is probably more critical to the evaluation process than how we measure. The selection of the incorrect criteria

can result in serious consequences. What we measure gives an idea about what people in an organization will attempt to achieve. The criteria which are considered must represent performance as stated in the first two steps of the appraisal process.

- d. **Comparing Actual Performance with Standards Set in the Beginning:** In this step of performance appraisal the actual performance is compared with the expected or desired standard set. A comparison between actual or desired standard may disclose the deviation between standard performance and actual performance and will allow the evaluator to carry on with the discussion of the appraisal with the concerned employees.
- e. **Discussion with the Concerned Employee:** In this step performance of the employee is communicated and discussed. It gives an idea to the employee regarding their strengths and weaknesses. The impact of this discussion may be positive or negative. The impression that subordinates receive from their assessment has a very strong impact on their self esteem and, is very important, for their future performances.
- f. **Initiate Corrective Action:** Corrective action can be of two types; one is instant and deals primarily with symptoms. The other is basic and deals with the causes. Instant corrective action is often described as “putting out fires”, where as basic corrective action gets to the source from where deviation has taken place and seeks to adjust the differences permanently. Instant action corrects something right at a particular point and gets things back on track. Basic action asks how and why performance deviated. In some instances, managers may feel that they do not have the time to take basic corrective action and thus may go for “perpetually put out fires. Thus the appraisal system of each organization may differ as per this requirement of that Organization.

8.7 Factors Affecting Performance Appraisal

There are various factors which may influence the performance appraisal system in any organization. There are some factors which introduce bias whereas; some other factors hinder purposeful assessment.

Such factors are as follows:

- a. **Value System of Evaluator:** The task of evaluator is to assess the work of subordinate and write reports of the same. They are projected to do this for some purposeful assessment. It happens that evaluator sometime judges the performance on the basis of their own value system. Each person has his own value system and socio-cultural environment. Mostly, it is found that the reports are influenced by the evaluator’s value-system. This subjective element has lot of impact on final report.
- b. **Dominant Work Orientation:** The performance Appraisal Report of a subordinate is prepared by a superior is found to have an impact by the dominant work orientation of the superior officer. Sometimes there is more emphasis on certain aspect of the work as compared to other aspect which may be equally important by the superior. It introduces subjectivity performance appraisal system.

A superior may evaluate the subordinate on the basis of following elements:

- i. Inclination for work of dynamic nature.
- ii. Liking for routine work and strict maintenance of.
- iii. Importance on inter-personal relations and rank.
- iv. Emphasis on qualities which do not have much functional utility; and
- v. Emphasis on consistency to some philosophy.

These elements bring subjectivity in the process of evaluation, influence the judgment of the superior and distort the evaluation of performance of the subordinates.

- c. **Loyalty:** It plays a vital role in evaluating employee. An Employee shows loyalty due to many reasons such as common values, objectives, emotional needs, interests, caste, religion, language or region. Loyalty brings the superior and the loyal subordinate closer and closer to each other, and creates distance between those employees who are not loyal to their superior. This makes assessment of superior to be biased.
- d. **Level of Achievement:** Subordinates evaluation may also depend on the level of achievement of the superior. If there is a vast difference between the level of achievement of the superior and Subordinate, then it can create problems of adjustment and purpose for which evaluation is done is not achieved.
- e. **Factors Hindering Objective Assessment:** There are various factors which obstruct the objective appraisal of the performance of the subordinates. These factors are as follows:
 - ♦ Superiority complex of the superior reporting officer.
 - ♦ Overall performance assessment does not take place only certain incidence are assessed.
 - ♦ Past-record of the subordinate.
 - ♦ Personality of the subordinate.
 - ♦ Ability of the subordinate to exercise influence at higher level.

8.8 Benefits of Performance Appraisal

An effective performance appraisal system can be of benefit to three parties, they are for organization, for appraiser and for appraisee.

- a) **For the Organizations:** Following are the benefits of an organization.
 - ✓ It leads to better performance throughout the organization, due to successful communication of the objectives and values of the organizations, sense of being close to the organization, loyalty and improved relationships between managers and staff.
 - ✓ Overall improvement in the duties performed by each employee of the organization.
 - ✓ Due to performance appraisal of employee new ideas for improvement in their work is generated.
 - ✓ Long-term plans can be generated.
 - ✓ The need for training and development can be identified more clearly.
 - ✓ A traditions of nonstop improvement and success in the organization can be formed and maintained.
 - ✓ Career development plans can be chalked out for capable employee to enhance their performance in future.
- b) **For the appraiser:** Following are the benefits to the appraiser:
 - ✓ It gives an opportunity to the appraiser to develop a general idea of individual jobs and departments.
 - ✓ For every new or difficult situation new idea is generated for improvement or for overcoming that problem.

- ✓ It gives an opportunity to integrate team and individual objectives and targets with departmental and organizational objectives.
 - ✓ It gives an opportunity to explain the amount of work expected by manager from teams and individuals:
 - ✓ It gives an opportunity to focus more on targets.
 - ✓ It enables to form more productive relationship with staff based on mutual trust and understanding.
- c) For the Appraisee:** Following are the benefits for the appraisee:
- ✓ Increased motivation.
 - ✓ Increased job satisfaction.
 - ✓ Increased sense of personal value.
 - ✓ Increase in morale of an employee.
 - ✓ It gives an opportunity to know their strength and weaknesses.
 - ✓ It gives an idea about areas of their improvement.
 - ✓ There will be a chance to subordinate to express his views even after performance appraisal
 - ✓ An employee should express his emotional needs and his value system which is considered to be important today.

8.9 Problems of Performance Appraisal

Performance appraisal technique is very beneficial for an organization for taking decisions regarding salary fixation, demotion, promotion, transfer and confirmation etc. But, it is not freed from problem. In spite of recognition that a completely error-free performance appraisal can only be idealized a number of errors that extensively hinder objective evaluation. Some of these problems are as follows:

- a. Biasness in Rating Employee:** It is the problem with subjective measure i.e. the rating which will not be verified by others. Biasness of rater may include:
- **Halo Effect:** It is the propensity of the raters to rate on the basis of one trait or behavioral consideration in rating all other traits or behavioral considerations. One way of minimizing the halo effect is appraising all the employees by one trait before going to rate on the basis of another trait.
 - **The Central Tendency Error:** It is the error when rater tries to rate each and every person on the middle point of the rating scale and tries not to rate the people on both ends of the scale that is rating too high or too low. They want to be on the safer side as they are answerable to the management.
 - **The Leniency and Strictness Biases:** The leniency biasness exists when some raters have a tendency to be generous in their rating by assigning higher rates constantly. Such ratings do not serve any purpose.
 - **Personal prejudice:** If the raters do not like any employee or any group, in such circumstances he may rate him on the lower side of the scale, the very purpose of rating is distorted which might affect the career of employees also.
 - **The Recent Effect:** The raters usually retain information about the recent actions of the employee at the time of rating and rate on the basis of recent action taken place which may be favorable or unfavorable at that point of time.

- b) The superiors may be unsuccessful in conducting performance appraisal of employees and post performance appraisal interviews.
- c) The performance appraisal is mostly based on subjective assessment.
- d) The performance appraisal techniques have a low reliability and validity in terms of result.
- e) Ratings an employee on the negative side may disturb interpersonal relations and industrial relations system.
- f) Appraisers opinion on the performance of the employee may lead to setback on production.
- g) An organization may give emphasis to punishment if an employee has not done a good job rather than providing training.
- h) Few ratings are based on guess work.
 - There was a significant relationship between rating by superior and performance after promotions.
 - Appraisal reports were completed within a short period of time.
 - The circumstances were very unpleasant in feedback interview.
 - The Subordinates-were not given suggestion in a manner which may be helpful to them.

8.10 Performance Appraisal Practices in India

The systematic study of performance appraisal practices in India is very limited. According to few studies in India the performance appraisal is mainly undertaken for three objectives such as:

- i. To determine increments in salary;
- ii. To assist organizational planning, placement, or suitability; and
- iii. For training and development purposes and informing employee where they stand in organization, follow-up interviews, etc.

Every company uses different criteria to evaluate their employees.

- i) Evaluation of qualitative characteristics such as intelligence, reliability, honesty, leadership and attitudes, abilities, etc., evaluation of actual performance- qualitatively and quantitatively; and evaluation of development and future potential and development by an employee during the period under consideration.
- ii) Evaluation criteria vary from company to company. There is vast deviation in periodicity of appraisal of employees. Few companies appraise annually, some appraise half- yearly, and a few quarterly; however, annual appraisal is most common among many.

Few Innovative Performance Appraisal Practices followed in India

- ✓ Managerial personnel are allowed to challenge or appeal appraisal decisions made by evaluator.
- ✓ Employees management skills are important in performance appraisal.
- ✓ Personnel department gives a clear instruction of policy and its implementation.
- ✓ Evaluation to be made only on the basis of performance of employee at work.
- ✓ It has also enhanced role clarity in the Organization.

This approach is frequently referred to as Management by objectives. The latest mantra being followed by organizations across the world being - “get paid according to what you contribute” - the focus of most of the organizations is turning to performance management and specifically to individual performance.

- The focus of the performance appraisals practice in today’s environment is changing by concentrating more on career development relying on the dialogues and discussions with the superiors.
- Performance measuring, rating and review systems have become more thorough, structured and individual employee specific than before.
- Appraisal through a 360-degree feedback system takes place
- In India, the performance appraisal processes are faced with a lot of problems, the most important is the need of quantifiable indicators of the performance.
- ✓ The emergence of following trends related to Performance appraisal practices can be seen in the global scenario: 360 degree feedback, Team performance appraisal, Rank and yank strategy.
- **360 Degree Feedback:** It is also known as ‘multi-rater feedback’, where the feedback about the employees’ performance comes from all the sources that come in contact with the employee on his job.
- **Team Performance Appraisal:** In this method each employee performance is measured as a team member as well as individually.
- **Rank and Yank Strategy:** It is also known as up or out policy where the performance appraisal model is prepared in which best-to-worst ranking methods are used to identify and separate the poor performers from the good performers. Then certain plans are chalked out for improvement.

8.11 Self Check Exercise

State whether the following statements are true or false:

1. Subjective measures in performance appraisal are most desirable.
2. Performance appraisals can reduce bias.
3. Assessment centre technique is costly and time-consuming.
4. A key aspect of performance management is Performance measurement.
5. Employees should not be involved in performance planning.

Fill in the Blanks:

6. The error occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions.
- 7 includes activities to ensure that goals are consistently being met in an effective and efficient manner.

8.12 Summary

In the organizational context performance appraisal is an evaluation of personnel in a systematic way by superiors or others familiar with their performance. It is also described as merit rating in which one individual is ranked as better or worse in comparison to others. The basic purpose in this merit rating is to determine an employee’s eligibility for promotion.

However, performance appraisal is a broad term and it may be used to ascertain the need for training and development, salary increase, transfer, discharge, etc. besides promotion. It is the systematic assessment of an individual with respect to his or her performance on the job and his or her potential for development in that job.

Performance appraisals should be conducted on a frequent basis, and they need not be directly attached to promotion opportunities only. It is important because of several reasons such as: Personal Attention, Feedback, Career Path, Employee Accountability, Communicate, Divisional and Company Goals. Thus, objectives into the appraisal system may draw attention to areas for improvement, new directions and opportunities.

The methods of performance appraisal are categorized in two ways traditional and modern methods. Each organization adopts a different method of performance appraisal according to the need of organization, with each method having its own advantages and drawbacks. The performance appraisal system of one organization may vary from other organizations; this may lead to few changes in appraisal process. Some of the problems faced in appraising employees are biasness of rater which may include such as halo effect, central tendency error, the leniency and strictness biases, personal prejudice, and the recent effect etc.

8.13 Glossary

Performance Appraisal: A systematic and objective way of evaluating both work related behaviour and potential of employees.

Performance Management System: It is a process for setting goals and monitoring progress toward achieving those goals.

Assessment Centre: It is an appraisal technique that relies on multiple types of evaluation and multiple raters.

Central Tendency: The reluctance to use the extremes of a rating scale and to thereby fail to adequately differentiate employees being rated.

Checklist: Performance appraisal tool that uses a lot of statements or words that are checked by raters.

Halo Effect: Bias which occurs when the rater's personal opinion of a specific trait of employee influences the rater's overall assessment of performance.

Rater Bias: Error that occurs when a rater's values or prejudices distort the rating.

Rating Scale: A method which requires the rater to provide a subjective performance evaluation along a scale from low to high.

8.14 Answer to Self Check Exercise

1. True
2. False
3. True
4. True
5. False
6. Halo
7. Performance management

8.15 Terminal Questions

1. “Performance appraisal is the systematic evaluation of the individual with respect to his performance on the job and his potential for development”. What are the options open to you in the design of a performance appraisal system to achieve this goal?
2. Explain the Performance Appraisal System. Either suggests improvements to an existing appraisal system in your organization or design an appraisal system which would meet the objectives.
3. Does current thinking indicate that appraisal for training should be conducted separately from appraisal for promotion?
4. Explain in detail the process of performance appraisal.

8.16 Suggested Readings

- Aswathapa, K. (2008), Human Resource Management, 5th ed., Tata McGraw Hill.
- Dipak Kumar Bhattacharyya, Human Resource Management, Excel Books.
- French, W.L. (1990), Human Resource Management, 4th ed., Houghton Mifflin, Boston.
- H.J. Bemardin, Human Resource Management, Tata McGraw Hill, New Delhi, 2004.
- Ivancevich, J. M. (2008), Human Resource Management, Tata McGraw Hill.
- Madhurima Lall and Sakina Qasim Zaidi, Human Resource Management, Excel Notes Books.
- Rao P.S. (2008), Essentials of Human Resource Management and Industrial. Relations, Text cases and Games, Himalaya Publication

---//---

Chapter-9

Compensation Management

Structure

- 9.0 Learning Objectives
- 9.1 Introduction
- 9.2 Objectives of Compensation Planning
- 9.3 Components of Compensation Planning
- 9.4 Importance of Compensation Management
- 9.5 Components of a Compensation System
- 9.6 Factors Influencing Compensation System
- 9.7 Process of Compensation Management
- 9.8 Pay Structure
- 9.9 Pay Plans - Strategic Decisions
- 9.10 Factors affecting Pay Structure
- 9.11 Factors Determining Pay Rates
- 9.12 Competency based Pay Plan
- 9.13 Benefits and Limitations
- 9.14 Effective Performance based Pay System
- 9.15 Self Check Exercise
- 9.16 Summary
- 9.17 Glossary
- 9.18 Answers to Self Check Exercise
- 9.19 Terminal Questions
- 9.20 Suggested Readings

9.0 Learning Objectives

After reading the lesson, you should be able to:-

1. understand the meaning and objectives of Compensation Management
2. know the Components and importance of Compensation Management
3. know the pay structure and factors affecting pay structure

9.1 Introduction

Compensation management, also known as wage and salary administration, remuneration management, or reward management, is concerned with designing and implementing total compensation package. The traditional concept of wage and salary administration emphasized on only determination of wage and salary structures in organizational settings. However, over the passage of

time, many more forms of compensation entered the business field which necessitated to take wage and salary administration in comprehensive way with a suitable change in its nomenclature.

Compensation is what the employees receive in exchange for their contribution to the organisation. Generally, employees offer their services for three types of rewards. Pay refers to basic wages and salaries normally receive. Compensations forms such as bonus, commission and profit sharing plans are incentives designed to encourage the employees to produce the results beyond the normal expectation. Benefit such as insurance, medical, recreational, retirement etc represent a more indirect type of compensation. So the term compensation is a comprehensive one including the pay, incentives, benefits offered by employees for hiring the services of employees.

Definitions

Wendell French, "Compensation is a comprehensive term which includes wages, salaries and all other allowance and benefits."

9.2 Objectives of Compensation Planning

- ✓ Internal equity: to ensure the more difficult jobs are paid more.
- ✓ External equity: to ensure that jobs are fairly compensated in comparison to similar jobs in the labour market.
- ✓ Individual equity: to pay equal for equal job
- ✓ Attract talent.
- ✓ Retain talent.
- ✓ Control cost.
- ✓ Comply with legal rules.
- ✓ Ease of operation.

9.3 Components of Compensation Planning

1. Wages

In India, different Acts include items under wages, though all the Acts include basic wage and dearness allowance under the term wages, Under the Workmen's Compensation Act, 1923, "wages for leave period, holiday pay overtime pay, bonus form part of wages." Under the Payment of Wages Act, 1936, Section 2(vi), "any award of settlement and production bonus, if paid, constitutes wages." Under the Payment of Wages Act, 1948, "retrenchment compensation, payment in lieu of notice and gratuity payable on discharge constitute wages." However, the following types of remuneration, if paid, do not amount to wages under any of the Acts:

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

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

Basic Wage

The base rate is the amount of pay (the fixed salary or wage) that constitutes the rate for the job. It may be varied according to the grade of the job or, for shop floor workers, the level of skill required, while deciding the basic wage the following criteria may be considered:

- (i) Skill needs of the job;
- (ii) Experience needed;
- (iii) Difficulty of work: mental as well as physical;
- (iv) Training needed;
- (v) Responsibilities involved;
- (vi) Hazardous nature of job.

Base pay will be influenced by internal and external relativities. The internal relativities may be measured by some form of job evaluation. External relativities are assessed by tracking market rates. Alternatively, levels of pay may be agreed through collective bargaining with trade unions or by reaching individual agreements. Base pay may be expressed as an annual, weekly or hourly rate. This is sometimes referred to as a time rate system of payment. Allowances as described later may be added to base pay. The rate may be adjusted to reflect increases in the cost of living or market rates by the organization unilaterally or by agreement with a trade union.

2. Allowances

Allowances are paid in addition to basic pay for special circumstances (living in London) or features of employment (working unsocial hours). They may be determined unilaterally by the organization but they are often the subject of negotiation.

Dearness Allowance (DA)

It is the allowance paid to employees in order to enable them to face the increasing dearness of essential commodities. It serves as a cushion, a sort of insurance against increase in price levels of commodities. Instead of increasing wages if there is a rise in price levels, DA is paid to neutralize the effects of inflation; when prices go down, DA can always be cut down to size. DA is linked in India to three factors: the index factor, the time factor and the point factor.

Other Allowances

The other main types of allowances are:

- 1. Location Allowances:** London and large town allowances to compensate for higher costs of living.
- 2. Overtime Payments:** Most manual workers are eligible for paid overtime as well as many staff employees up to management level. Higher-paid staff may receive time off in lieu if they work longer hours. Typically, organizations that make overtime payments give time and a half as an overtime premium from Monday to Saturday, with double time paid on Sundays and statutory holidays. Some firms also pay double time from around noon on Saturday. Work on major statutory holidays such as Christmas Day and Good Friday often attracts higher overtime premium.
- 3. Shift payments** are made at rates which usually vary according to the shift arrangement. A premium of, say, one-third of basic pay may be given to people working nights, while those on an early or late day shift may receive less - say, one-fifth of basic pay.

4. **Working conditions allowances** may be paid where the work is unpleasant.
5. **Subsistence allowances** may be paid for accommodation and meals when working away from home.
6. **Stand-by and call-out allowances** may be made to those who have to be available to come in to work when required.

9.4 Importance of Compensation Management

1. **Job Satisfaction:** The employees would be happy with their jobs and would love to work for an organization motive, if they get fair rewards in exchange of their services.
2. **Motivation:** We all have different kinds of needs. Some of us want money so they work for the company which gives them higher pay. Some value achievement more than money they would associate themselves with firms which offer greater chances of promotion, learning and development. A compensation plan that hits workers needs is more likely to motivate them to act in the desired way.
3. **Low Absenteeism:** Why would anyone want to skip the day and watch not-so-favourite TV program at home, if they enjoy the office environment and are happy with their salaries and get what they need and want?
4. **Peace of Mind:** Offering of several types of insurances to your workers relieves them from certain fears. As a result they work with relaxed mind.
5. **Increases self-confidence:** Every human being wants his/her efforts to get acknowledgment. Employees gain more and more confidence in them and in their abilities if they receive just rewards. As a result, their performance level increased.

How is Compensation Used?

Compensation is a tool used by management for a variety of purposes to further the existence of the company. Compensation may be adjusted according to the business needs, goals, and available resources. Compensation may be used to:

- Recruit and retain qualified employees.
- Increase or maintain morale/satisfaction.
- Reward and encourage peak performance.
- Achieve internal and external equity.
- Reduce turnover and encourage company loyalty.
- Modify (through negotiations) practices of unions.

Recruitment and retention of qualified employees is a common goal shared by many employers. To some extent, the availability and cost of qualified applicants for open positions is determined by market factors beyond the control of the employer. While an employer may set compensation levels for new hires and advertise those salary ranges, it does so in the context of other employers seeking to hire from the same applicant pool. Morale and job satisfaction are affected by compensation. Often there is a balance (equity) that must be reached between the monetary value the employer is willing to pay and the sentiments of worth felt by the employee. In an attempt to save money, employers may opt to freeze salaries or salary levels at the expense of satisfaction and morale. Conversely, an employer wishing to reduce employee turnover may seek to increase salaries and salary levels. Compensation may also be used as a reward for exceptional job performance. Examples of such plans include: bonuses, commissions, stock, and profit sharing, gain sharing.

9.5 Components of a Compensation System

Compensation will be perceived by employees as fair if based on systematic components. Various compensation systems have developed to determine the value of positions. These systems utilize many similar components including job descriptions, salary ranges/structures, and written procedures.

- ✓ **Job Descriptions:** A critical component of both compensation and selection systems, job descriptions define in writing the responsibilities, requirements, functions, duties, location, environment, conditions, and other aspects of jobs. Descriptions may be developed for jobs individually or for entire job families.
- ✓ **Job Analysis:** The process of analyzing jobs from which job descriptions are developed. Job analysis techniques include the use of interviews, questionnaires, and observation.
- ✓ **Job Evaluation:** A system for comparing jobs for the purpose of determining appropriate compensation levels for individual jobs or job elements. There are four main techniques: Ranking, Classification, Factor Comparison, and Point Method
- ✓ **Pay Structures:** Useful for standardizing compensation practices. Most pay structures include several grades with each grade containing a minimum salary/wage and either step increments or grade range. Step increments are common with union positions where the pay for each job is pre-determined through collective bargaining.
- ✓ **Salary Surveys:** Collections of salary and market data. It may include average salaries, inflation indicators, cost of living indicators, salary budget averages. Companies may purchase results of surveys conducted by survey vendors or may conduct their own salary surveys. When purchasing the results of salary surveys conducted by other vendors, note that surveys may be conducted within a specific industry or across industries as well as within one geographical region or across different geographical regions. Know which industry or geographic location the salary results pertain to before comparing the results to your company.

9.6 Factors Influencing Compensation System

- ❖ **Job needs:** Simple, routine tasks that can be done by many people with minimal skills receive relatively low pay. On the other hand, complex, challenging tasks that can be done by few people with high skill levels generally receive high pay.
- ❖ **Ability to pay:** High profit levels enable companies to pay higher wages. This partly explains why computer software industry pays better salaries than commodity based industries (steel, cement, aluminum, etc.). Likewise multinational companies also pay relatively high salaries due to their earnings power.
- ❖ **Cost of living:** Inflation reduces the purchasing power of employees. To overcome this, unions and workers prefer to link wages to the cost of living index. When the index rises due to rising prices, wages follow suit.
- ❖ **Prevailing wage rates:** Prevailing wage rates in competing firms within an industry are taken into account while fixing wages. A company that does not pay comparable wages may find it difficult to attract and retain talent.
- ❖ **Unions:** Highly unionized sectors generally have higher wages because well organized unions can exert presence on management and obtain all sorts of benefits and concessions to workers.
- ❖ **Productivity:** This is the current trend in most private sector companies when workers' wages are linked to their productivity levels. If your job performance is good, you get good wages.

- ❖ **State regulation:** The legal stipulations in respect of minimum wages, bonus, clearness allowance, allowances, etc., determine the wage structure in an industry.

9.7 Process of Compensation Management

In order to achieve the objectives of compensation management, it should proceed as a process.

This process has various sequential steps as shown:

Step 1- Organization's Strategy: Organization's overall strategy though not a step of compensation management is the starting point in the total human resource management process including compensation management. Companies operating in different types of market/product having varying level of maturity, adopt different strategies and matching compensation strategy and blend of different compensation methods. Thus, it can be seen that organizations follow different strategies in different market situations and align their compensation strategy and contents with these strategies. In a growing market, an organization can expand its business through internal expansion or takeover and merger of other organizations in the same line of business or a combination of both. In such a growing market, the inputs, particularly human resources, do not grow in the same proportion as the business expands.

Therefore, in order to make the growth strategy successful, the organization has to pay high cash to attract talents. For example, information technology is a fast growing business presently and we find maximum merger and higher managerial compensation in this industry. In mature market, the organization does not grow through additional investment but stabilizes and the growth comes through making the present investment more effective, known as learning curve growth. In such a situation, average cash and moderate incentives may work. The benefits which have been standardized have to be maintained. In the declining market, the organization has to harvest profit through cash generation and cost cutting and if this cannot be sustained over the long run, -the possible retrenchment of business to invest somewhere else. In such a case, compensation strategy involves cost control with below average cash and incentive payments.

Cascio has observed that in viewing the compensation from strategic point of view, the companies do the following:

- ✓ They recognize remuneration as a pivotal control and incentive mechanism that can be used flexibly by the management to attain business objectives,
- ✓ They make the pay system an integral part of strategy formulation,
- ✓ They integrate pay considerations into strategic decision-making processes, such as those that involve planning and control.
- ✓ They view the company's performance as the ultimate criterion of the success of the strategic pay decisions and operational remuneration programs.

Step 2-Compensation Policy: Compensation policy is derived from organizational strategy and its policy on overall human resource management In order to make compensation management to work effectively, the organization should clearly specify its compensation policy, which must include the basis for determining base compensation, incentives and benefits and various types of perquisites to various levels of employees. The policy should be linked with the organizational philosophy on human resources and strategy. Besides, many external factors which impinge on the policy must also be taken care of.

Step 3-Job Analysis and Evaluation: Job analysis provides basis for defining job description and job specification with the former dealing with various characteristics and responsibilities involved in a job and the latter dealing with qualities and skills required in job performer. Job analysis also provides

base for job evaluation which determines the relative worth of various jobs in the organization. The relative worth of various jobs determines the compensation package attached with each job.

Step 4-Analysis of Contingent Factors: Compensation plan is always formulated in the light of various factors, both external and internal, which affect the operation of human resource management system. Various external factors are conditions of human resource market, cost of living, level of economic development, social factors, pressure of trade unions and various labour laws dealing with compensation management. Various internal factors are organization's ability to pay and employees' related factors such as work performance, seniority, skills, etc. These factors may be analyzed through wage/salary survey.

Step 5-Design and Implementation of Compensation Plan: After going through the above steps, the organization may be able to design its compensation plan incorporating base compensation with provision of wage/salary increase over the period of time, various incentive plans, benefits and perquisites. Sometimes, these are determined by external party, for example, pay commissions for Government employees as well as for public sector enterprises. After designing the compensation plan, it is implemented. Implementation of compensation plan requires its communication to employees and putting this into practice.

Step 6-Evaluation and Review: A compensation plan is not a rigid and fixed one but is dynamic since it is affected by a variety of factors which are dynamic. Therefore, compensation management should have provision for evaluating and reviewing the compensation plan. After implementation of the plan, it will generate results either in terms of intervening variables like employee satisfaction and morale or in terms of end-result variable like increase of productivity. However, this latter variable is more important. The evaluation of compensation plan must be done in this light. If it does not work as intended, there should be review of the plan necessitating a fresh look.

9.8 Pay Structure

Pay plans refers to the policies and decisions on how organisations give compensation to its employees that may satisfy employee as well as achieve organisational goals and objectives.

1. Objectives of Strategic Pay Plans

The objectives of pay plans can be as follows:

Equity:

- ✓ *Internal equity:* This ensures that more difficult jobs are paid more.
- ✓ *External equity:* This ensures that jobs are fairly compensated in comparison to similar jobs in the labour market.
- ✓ *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.

2. Attract talent:

Compensation needs to be high enough to attract talented people. Since many firms compete to hire the services of competent people, the salaries offered must be high enough to motivate them to apply.

3. Retain talent:

If compensation levels fall below the expectations of employees or are not competitive, employees may quit in frustration.

4. Ensure equity:

Pay should equal the worth of a job. Similar jobs should get similar pay. Likewise, more qualified people should get better wages.

5. 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.

6. Control costs:

The cost of hiring people should not be too high. Effective compensation management ensures that workers are neither overpaid nor underpaid.

7. Comply with legal rules:

Compensation programmes must invariably satisfy governmental rules regarding minimum wages, bonus, allowances, benefits, etc.

8. 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.

9.9 Pay Plans - Strategic Decisions

Pay plans involve the following four areas:

- ✓ **Pay level decision:** It considers whether organisations have a lead, lag or match policy. Pay decisions significantly impact performance, skill development, work related attitudes and workforce compensation. It also determines whether or not employee is willing to continue the job in the organisation.
- ✓ **Differential Pay Decision:** Differential pay decisions may have two approaches. The first is based on the seniority. Compensating on seniority has been a traditional approach. The other one is related to the merit of employee. Under this approach, employees get compensation according to their performance irrespective of their length of service. But differential pay decision requires a prudent choice between two approaches so that the organisation achieves its goals and objectives effectively. In practice organisation combines these two approaches for getting the desired results.
- ✓ **Pay Structure Decision:** It refers to the differences between levels of the organisational hierarchy. If there are large differences then employees may focus on engaging in networking and integration that make them move to the higher levels. This practice ignores the effective job performance. But, if the differential is not enough employees may not be motivated towards promotion and higher pay, which again hampers their effective performance.
- ✓ **Administration Decision:** It is related to determining on means and measures to provide benefits to its employees. These decisions also influence employee behaviour. If pay decisions are based on performance, skill and merit employees will be motivated to do better and enhance their skills and education. If decisions are subjective then integration and networking will supersede job performance.

9.10 Factors affecting Pay Structure

The factors which affect the pay structure are as under:

1. External Factors

- Labor Market
- Cost of Living

- Society
- The Economy
- Geographic Location

2. Internal Factors

- Business Strategy
- Job Evaluation & Performance Appraisal
- The Employee
- Kind of Business

9.11 Factors Determining Pay Rates

- **Demand and supply:** Wage rates of workers depends upon demand and supply force in labour market. If the labour is in short supply, the workers will offer the services only if they are paid well. On the other hand, if the supply is more than workers available might get ready work at cheaper rates.
- **Bargaining Power:** Where labour unions are strong enough to force the hand of employers, the wages will be determined at a higher level in comparison to other units where unions are weak.
- **Cost of living:** Wages of workers also depends upon the cost of living of the worker so as to ensure him a decent living wage. Cost of living varies under deflationary and inflationary pressures. Where labour unions are strong and employer do not show enough awareness, here wage are adjusted according to cost of living index numbers.
- **Condition of product market:** Degree of competitions prevailing in the market for the product of the industry will also influence the wage level, e.g. if there is perfect competition in the market the wage level may be at par with the value of net additions made by the workers to the total output, but may not reach this level in case of imperfect competition in the market.
- **Comparative Wages:** Wages paid by the other firms for the same work also influence the wage levels. Wage rates must also be in consistent with the wages paid by the other firms in the same industry so as to increases the job satisfaction among the workers.
- **Ability to Pay:** Wage rates are influenced by the paying ability of industry or firms to its workers. Those firms which are earning huge profits may afford to pay high wages and can provide more facilities to its workers in comparison to the firms earning comparatively low profits.
- **Productivity of labour:** Higher productivity will automatically fetch more profit to the firm, where in turn workers will be paid high wages in comparison to other firms with low productivity.
- **Job Requirements:** If a job require higher skill, greater responsibility and risk, the worker placed on that job will naturally get higher wages in comparison to other jobs which do not require the same degree of skill, responsibility or risk.
- **Govt Policy:** Since the bargaining power of the workers is not enough to ensure fair wages in all industries, the Govt, has to interfere in regulating wage rate to guarantee minimum wage rates in order to cover the essentials of a decent living.
- **Goodwill of the company:** A few employers want to establish themselves as good employer in the society and fix higher wages for their workers. It attracts qualified employees.

Other Factors

In addition there are other important factors which affect the individual differences in wage rates.

These are:

- ✓ Worker's Capacity and Age
- ✓ Educational qualification.
- ✓ Work experience.
- ✓ Promotion possibilities.
- ✓ Stability of employment
- ✓ Demand for product.
- ✓ Profits earned by the organization,
- ✓ Hazards involved in work and other factors.

Pay for Performance

Knowledge-based organisations these days follow a performance-based payment plan offering awards to employees for cost saving suggestions, bonuses for perfect attendance or merit pay based on supervisory appraisals. The objective of performance pay is to develop productive, efficient and effective organisation which enhance employee's motivation and effectiveness. Performance pay is based on employee performance on the job. It is believed that this approach attracts and retains better talents.

A growing number of companies in recent times have established compensation programmed for employees that offer additional compensation based on- individual, group and organisational performance. The logic behind this move is understandable. Organisations want every individual to think of performance in the same way as the organisation. You have to compete, get ahead, deliver results and fight for the winning slot almost on a daily basis. In such a scenario, the employer-employee relationship assumes a mercenary dimension, bulldozing poor performers at every stage. The organisation becomes cold and transactional rather than warm and relationship oriented. It affects workforce camaraderie, and undoubtedly kills the morale of a large majority of employees who lag behind in the race.

Competency Based Pay

Competencies as defined by the experts are those demonstrable characteristics of the person, including knowledge, skills, and behaviors, that excellent performers exhibit more consistently and more effectively than average performers. Precisely, a competency is an underlying characteristic of a person or organisation which enables to deliver performance in a given job, role or a situation. Competencies can be broadly classified into three categories, namely:

- ✓ **Organizational competencies** are unique factors (outstanding customer service, excellent product development capabilities, superb innovation processes, flexibility in manufacturing processes, etc.) that make an organisation competitive; some of the examples for organizational competencies include Sony-miniaturization, Phillips- optical media, Honda-engines, and Intel-microchip.
- ✓ **Job related competencies** are those that are required to carry out an assigned operation in an effective way. These are specific to a job and vary from job to job.
- ✓ **Personal competencies** are basically behavioural competencies-in addition to job related skills and knowledge-such as taking risk and initiative, delivering results, showing commitment and adaptability when required.

Competency based Pay plan is a reward plan that pays for the employee's range, depth, and types of skills and knowledge, rather than for the job title that he or she holds. Employees get paid for

what they bring to the job (including their personality traits, attitudes, motives, etc.) and what they are capable of doing - if not immediately - in future.

According to Brown and Armstrong, 'Competency-based pay can be defined as paying for the development and application of essential skills, behaviours and actions which support high levels of individual, team and organizational performance.

- **Required for Carrying Out a Job Effectively Competencies**

- ❖ Skill sets ,
- ❖ Knowledge sets
- ❖ Insightful selling ability
- ❖ Ability to be direct, yet sensitive
- ❖ Ability to keep the larger objective/goal active
- ❖ Ability to stay calm under pressure
- ❖ Ability to be an effective mentor
- ❖ Creative solutions to difficult challenge
- ❖ Effective negotiating abilities
- ❖ Consistently demonstrates selfless team spirit

9.12 Competency based Pay Plan

The following factors need to be fully integrated within an organisation before competency pay plan can be introduced: an employee appraisal process must already exist; managers must already have been trained to assess competencies; staff should be made aware of the competencies required and how to demonstrate them when it comes to their appraisals; all employees must give their full commitment; the system must be fair so that all employees are included:

Developing a Competency Framework for Employees

A competency framework defines the behaviour, needed by an employee to achieve effective job performance. The framework should enable employees to be clear about what is expected of them in terms of their behaviour and specific job role. The following points need special attention:

- (i) Encourage co-operation, ownership and commitment of employees by involving them throughout the process,
- (ii) Ensure the framework is relevant to both individual and organizational performance,
- (iii) Include a planned analysis of relevant jobs to combine the imminent changes which will affect the ways employees work,
- (iv) Ensure that the necessary data gathered is as objective as possible and is put into practice with discipline,
- (v) Ensure that the relationship between competencies and job performance is not taken for granted,
- (vi) Make sure that the language used within the framework relates to its users and is easy to comprehend. It should also be tried and tested before it is implemented.

Assessing Competencies and Designing the Pay Plan

Competencies are assessed through a regular appraisal process to facilitate pay progression within a grade. The best approach is probably to describe each job in terms of the competencies needed to do it. These can be taken from a set of common or 'core' competencies. More complex individual competencies will need to be added for more complex senior roles. There are two established methods of competency based pay structures:

1. Broad Banding implies collapsing salary grades and ranges into just a few wide levels or bands each of which allows a relatively wide range of jobs and salary levels. In short, it is a way of combining many previously discrete job titles, ranks, and pay grades into much wider categories. This system encourages lateral job movement by de-emphasizing progress through a myriad of vertical job grades and by rewarding both performance excellence and in-band job changes.

2. Job Families (groups of different jobs that need similar skills) different pay structures can be established for different job families under occupational or functional groupings. As work activities and basic skills are common within these groups it is possible to set out the different levels of responsibility, skill and competence.

9.13 Benefits and Limitations

- ✓ Competency based pay encourages employees to give their best to live up to their potential and deliver far superior results in order to stay ahead of competition and earn rewards.
- ✓ The tangible, measurable benefits of excellent performance compel them to remain relevant and stay focused on what they can achieve.
- ✓ It is a people-focused plan that separates the outstanding employees from the ordinary ones, separates the meritorious ones from the mediocre stuff. As employees begin to equip themselves with more organizationally-relevant skills through constant training and developmental initiatives undertaken by the organization they become more valuable to an organization.
- ✓ Of course, the system is not without critics. Identifying competencies, their proficiency levels, and assessing employee competencies from time to time would demand considerable amount of managerial attention, time and commitment.
- ✓ Many a time, an organization might be forced to pay employees for knowledge and skills they possess but not put into practice.
- ✓ The linkage between competency learning and pay increases need to be highlighted constantly.
- ✓ It all depends on how employees ultimately evaluate the effort-reward relationship.
- ✓ If competency development is viewed as something not related to increases in pay, employees may not be enthusiastic about learning new competencies.

It is therefore, not surprising to find that in recent times, competency-based pay has become the focus of much heated debate in corporate as well as academic circles. While its advocates assert it achieves precisely measurable benefits, its opponents argue that it tends to lead to unfair, invalid, and discriminatory outcomes. Among companies that have implemented competency based pay, there is evidence that the failure rate is relatively high.

9.14 Effective Performance based Pay System

To be fair to employees, organisations should keep the following guidelines in mind while instituting merit-pay systems:

- ✓ Establish high standards of performance, so that only the truly outstanding employees emerge as winners.

- ✓ Develop accurate performance appraisal systems. The focus must be on job-specific, results oriented criteria as well as employee behaviours.
- ✓ Train supervisions in the mechanics of carrying out appraisals and offering feedback to employees in a proper way.
- ✓ Tie rewards closely to performance. Use a wide range of increases. Also, make pay increases meaningful.

9.15 Self Check Exercise

1. What is Compensation?
2. Define Wages.
3. Describe different components of a compensation system.
4. Describe pay structure.
5. Describe competency based pay plan.

9.16 Summary

Compensation package is one of the most significant decisions of the modern Human Resource Management, since it is carrying great influence as a maintenance factor as well as a means for employee's motivation also. Therefore organization needs to pay attention on Wage and Salary Administration in order to maintain organizational efficiency for maintaining and motivating employees. There are some of the major considerations based on which it can go for compensation determination like demand and supply of skill, organizational ability to pay, prevailing market rate, employees productivity, cost of living, trade union's bargaining power, job requirements management attitude, productivity, psychological and social factors and legislative considerations. Compensation administration intends to develop the lowest- cost pay structure that will not only attract, inspire and motivate capable employees but also be perceived as fair by these employees. Establishing strategic pay plans involved four main decisions: pay level decision, pay structure decision, differential pay decision and administration decision.

9.17 Glossary

Compensation: It refers to the financial and non-financial rewards to the employees for their services rendered to the company.

Earnings: Total amount of remuneration received by an employee during a given period.

Pay Equity: An employee's perception that compensation received is equal to the value of work performed.

Pay Grades: Groups of jobs within a particular class that are paid the same rate.

Benefit: An indirect reward given to an employee or group of employees as a part of organizational membership.

Fringe Benefit: The term 'fringe benefits' covers statutory bonus, social security measures, retirement benefits like provident fund, gratuity, pension, workmen's compensation, housing, medical, canteen, co-operative credit, consumer stores, educational facilities, recreational facilities, financial advice and so on.

Contingent Pay: Additional financial rewards may be provided that are related to performance, competence, contribution, skill or experience. These are referred to as 'contingent pay'.

Gratuity: It is payable to all the employees who render a minimum continuous service of five years with the present employer.

Variable Pay: Tying pay to some measure of individual, group or organizational performance.

9.18 Answers to Self Check Exercise

1. For answer refer to section 9.1
2. For answer refer to section 9.3
3. For answer refer to section 9.5
4. For answer refer to section 9.8
5. For answer refer to section 9.12

9.19 Terminal Questions

1. What do you mean by Compensation Management? What are the different components of Compensation planning?
2. Describe the importance of Compensation Management?
3. Discuss in detail different factors that generally affect compensation decision of an organization.
4. Since employees may differ in terms of their job performance, would it not be more feasible to determine the wage rate for each employee on the basis of his or her relative worth to the organisation? Explain.
5. Do small companies need to develop a pay plan? Why or Why Not?
6. Some companies have a policy of selectively matching external offers to prevent employees from leaving the company. What are the pros and cons of such a policy? Explain
7. One expert argues that external equity should always be the primary concern in compensation, noting that it attracts the best employees and prevents the top performers from leaving. Do you agree?

9.20 Suggested Readings

- A.M. Sharma-Understanding Wage And Compensation-System
- V S P Rao- Human Resource Management
- Khanka-Human Resource Management
- K.Aswathappa- Human Resource Management
- P.Subba Rao- Personnel And Human Resource Management
- P. Periasamy- A Text Book Of Financial Cost And Management Accounting
- Prasanna Chandra-Financial Management
- B.D. Singh-Compensation And Reward Management

---//---

Chapter-10

Wages and Salary Administration

Structure

- 10.0 Learning Objectives
- 10.1 Introduction
- 10.2 Principles of Wages and Salary Administration
- 10.3 Essentials of Sound Wage and Salary Administration
- 10.4 Factors affecting wage and Salary Administration
- 10.5 Methods of Wage Payments
- 10.6 Process of Wage Determination
- 10.7 Self Check Exercise
- 10.8 Summary
- 10.9 Glossary
- 10.10 Answers to Self Check Exercise
- 10.11 Terminal Questions
- 10.12 Suggested Readings

10.0 Learning Objectives:-

After reading the lesson, you should be able to:-

1. know the concept of wage and salary administration
2. understand the principles and factors affecting wage and salary administration
3. know the methods of Wage Payments and Process of Wage Determination.

10.1 Introduction

Wage and salary determination and its administration has always remains sensitive issue for an organizational management, since employees moral, motivation, productivity and their relationship with the management more or less associated with the compensation management system. Furthermore compensation has always remain as a major yardstick for the success or failure of a concern for the employees by an organization.

Traditionally, pay scales in companies reflected the importance of the work and the responsibility level. Today organization tries more to assess the worth of an individual in terms of his performance and contribution to the organization. With the growing demands of the workforce and the constant challenges in the business environment, organizations have to evolve an accurate system for evaluating jobs and assessing their worth. Job evaluation helps to determine the relative worth of job in an organization in a systematic, consistent and accurate manner. It also helps in estimating the basic pay for each job in accordance with the importance of the job in the organizational hierarchy. Once basic pay is determined, the rewards, incentives and benefits attached with the pay, position and performance are also determined.

The basic wage, incentives and rewards and benefits, together form compensation package of an employee.

10.2 Principles of Wages and Salary Administration

Since the issue of wage and salary determination has always enjoying the major consideration for any-organization, it should be develop and maintain based on sound principles, some of them are narrated below, attempt should be made to incorporate them as far as possible while designing the compensation system.

- There should be a definite plan and system to ensure that differences in pay for jobs are based upon variations in job requirements, means maintaining equity in the distribution of wages and salaries in the organization.
- Maintaining competitiveness in the wage market means the general level of wage and salary should be reasonably in line with that prevailing in the market.
- Matching employees' expectations and it should avoid unjustified discrimination by providing equal pay for equal work.
- Reinforcing positive employee behaviour and contribution to the organization, differences in the compensation package should be based on contribution, productivity, job performance, achievement etc.
- Devising a system that is the most efficient for the organization, as far as possible it must eliminate any discrepancies or exploitation of the employees.
- The compensation system should formulate and define rules and regulations for determining, changing, adjusting wages in the organization.
- The compensation package must ensure fairness, should maintain harmonious relationship between the employee and employer.
- Compensation system should be flexible enough so that future changes can be incorporated.
- The wage and salary administration should take care of and comply with all the rules and regulations laid-down by the legislator for protecting the employees' interest.
- Optimization of management and employee interests.

10.3 Essentials of Sound Wage and Salary Administration

Sound Wage and salary administration demands some essentials to satisfy, so that one who is shoulder with the responsibility of designing administrative aspects with this regards, may come out with efficient system for managing the issues related with it. Some of the pre requisites for the sound compensation system are:

- I. **Rational Job Analysis:** It is an important exercise with regards to each category of jobs. It reveals detailed aspects of the job, like duties, responsibilities associated with the performance, performance standards as a fair parameter for evaluation of the performance. It gives fair idea about job specification i.e. qualification, experience, skill and other essential requirements that job performer must satisfy. Thus rational job analysis always put policy decider in a better condition to lay down appropriate content in policy design.
- II. **Proper Job Evaluation:** Job evaluation is a systematic process of analyzing and evaluating jobs to determine the relative worth of job in an organization. It forms the basis for designing the sound compensation system in an organization. Since wage and salary administration and the perceived fairness of approach adopted under it have a immense influence on employee

morale, motivation and satisfaction; proper job evaluation exercise demands sensible consideration.

- III. In Depth Knowledge about an Organization and Market Factors:** Apart from job evaluation, the various other factors that determine the administrative aspects for wage and salary administration are the size and structure of the organization and the industry in which it operates, the strength of employees union, position of a person and his importance to the organization, demand and supply for particular skill sets in the industry, organizational ability and capacity to pay and its economic condition like profitability, and legislative aspects related With wage determination. Sound system for compensation management demands detail knowledge about all these factors in order to its sound framework and operation in the organization.
- IV. Clarity of Objectives or Purposes of Wage and Salary Administration :** Last but not the least in terms of its significance, in order to have effective and efficient administration of compensation as an area in the organization, one must have accurate clarity about the purposes that it may tries to satisfy through policy decisions, .objectives may be attracting talented resources; retaining and motivating employees; financial management of an organization; satisfying legal requirement; and many more. Sometimes these objectives are conflicting in nature also. So it is very essential that one, who is going to carry out this responsibility of designing the compensation system in the organization, should have reasonable clarity for objectives to be satisfied with the design.

10.4 Factors affecting Wage Salary Administration

The term employee's remuneration includes both wages and salaries. Wages are commonly considered as the price of labour paid to the workers for the services rendered to the organization employing them. Where quantum of services rendered is difficult to measure the payment is called salary. Normally, payment made to workers is referred to as wages and remuneration paid periodically to persons whose output cannot be measured such as clerical, supervisory and managerial staff is called salary. Wage-and salary administration is affected by so many factors and most of them are uncontrollable in nature so probably, this decision is more crucial and critical. Major factors affecting wage and salary administration are discussed as under:

- **Demand and Supply:** Demand for and supply of labour and its availability will have great influence on the determination of wage rates. If there is a shortage of labour, the wages demanded will be high. If, on the other hand labour is plentiful, workers will be too willing to work at low rates of wages. However, wages cannot be regarded today merely a price for services rendered. In recent years therefore, both management and labour has been becoming less and less dependent on this factor as a basic factor. An employee will not hesitate to accept lower wages if he has opportunities for growth in the organization. Today,-the money which is paid as compensation should enable a worker to buy goods and services which will enable him and his family to live a better and fuller life and satisfy his hierarchical needs.
- **Organization's Ability to Pay:** This is a major affecting factor in determining wage and salary structure of an organization. Financial position and soundness of an organization can put it in a position to offer attractive compensation package. Some of the reputed economically sound organizations are offering good compensation package and thereby successful in obtaining and maintaining talented workforce. Good compensation package helps in attracting and retaining quality talent in an organization. Generally wages in most of the organization decide through collective bargaining and organization's ability and capacity to pay attractive wages depends upon over all financial soundness and economic condition of an organization.

- **Prevailing Market Rate or “Going Wage Rate”:** This is practically the major factor that induces any organization to take it as a base while determining wage and salary structure for it. Prevailing market rate is also known as ‘most comparable rate of wage’, and most popular method for wage rate determination, especially for lower cadre positions. There are many reasons for an organization to pay wages at a market rate like competition and a practice of ‘Brain Drain’ prevails in the market. Further more certain laws framed laid down principle of minimum wages’, ‘equal wage for equal work’. In addition to this trade unions are also prefer to bargain upon and in accordance with market rate of wages.
- **Productivity:** Productivity is measured in terms of output per man hour. It is a result of several factors such as technology, labour efforts, method of doing work,- management contribution, and support and so on. However, productivity has always remained as base for wage differences since it a base which is apparently justifiable and acceptable to all in the organization. Many a time this as base is not acceptable to many trade unions as it is very difficult to have accurate measurement and has always remains at discretion of management policies.
- **Cost of Living:** It is always expected that there has to be adjustment in pay rates in accordance with prevailing cost of living. The changes in the cost of living affect purchasing power of the person. Trade union also considers this as a base for collective bargaining on wage issues.
- **Trade Union’s Bargaining Power:** Generally the mechanism for fixing of wages for majority of workers is collective bargaining or negotiation, and collective bargaining and negotiations depends upon the trade union’s strength. If there is a strong union operates in the organization, it may dictate its terms on wage fixation and revision over a period of time and vice versa. The strength and power of the trade union depends upon its membership, financial strength and leadership it may have, for its functioning.
- **Job Requirements:** From the organizational perspective appropriate job analysis and job evaluation exercise is a base for the wage determination and revision. It is quite obvious also that wages to be paid to the workers should be in accordance with the duties, responsibilities and the efforts, likely to be put for job performance. Wages or compensation package vary in accordance with job description and job specification.
- **Management Attitude:** Attitude of employer or management towards the working community of the organization does influence in wage determination and revision at an appropriate time. Some reputed and professional organization does prefer to pay wage in accordance with their reputation or prestige of an organization in the market. They may give participation to workers in sharing profits. On the other hand conservative organizations do not prefer to go for such profit sharing.
- **Psychological and Social Factors:** Psychologically persons perceive wages and compensation package as sole parameter for success or failure in the life. Compensation package, plays significant role in the employees pride, moral, motivation and psychological engagement and involvement in the work: Therefore such variable should not be overlooked by the organization while determining wage and salary structure. Socially and ethically also the people feel that “equal work should carry equal pay” i.e. wage should be in accordance with efforts and workers should not be felt like being, cheated. Compensation policy should not make any discrimination on the basis of caste, color, Sex or region, and must try to satisfy condition for fairness equity and justice.
- **Legislative Considerations:** Legislative provisions do provide protection to the working community by fixing bottom line for wage payments. Many a time it was found that the bargaining power of the workers was not strong enough to ensure fair wages. Consequently, the

state legislative frame work stepped in to regulate wages and provide for certain benefits to the workers. Legislation like Minimum Wages Act, 1936, provides for statutory minimum wages to be prevails in the industrial organization so that workers can satisfy their bare requirements and maintain their minimum living standard. These aspects are also considered while deciding compensation policy for an organization.

10.5 Methods of Wage Payments

Wage plans are mainly micro plans and each company may devise any of the wage plans. Basically there are two methods for wage payments:

Time rate wage system; and

Piece rate wage system

The wage paid to labour has to perform important functions in the economic system. It should be such as to make the worker capable and willing to be efficient and involved in the job. There should be link, wherever feasible between emoluments and productivity; and fair parity between wage differentials and skill differential.

The plan should act as an incentive to improve the efficiency, and it should attract the worker wherever demanded or needed. Whatever may be the method of wage payment but the wage plan should contain following ingredients:

- It should be simple and understandable
- It should be capable of easy computation
- It should be capable of motivating the employees
- It should be attractive enough for new talent in the organization.
- It should be fair, just and stable to all the employees.

The fundamental plans of wage payment are:

Time Rate Wage System:

It is the oldest and the simplest form of wage fixing. Under this system, workers are paid according to the work done during a certain period of time at a rate of per hour, per day, per week, per fortnight, or per month or any other fixed period of time. According to the section 4 of the Payments of Wages Act, 1936, not more than one month must elapse between two wage period. Time wage system adopts time as the basis of worker remuneration without taking in to account the units produced. The worker is guaranteed a specified sum of money for a fixed period of his time taking no account of the quality or quantity of the Work done. Evaluation on the basis benefits and weaknesses is as under:

Merits:

- It is simple and understandable and easy for calculation of wages, since wages under this system is equal to wage per hour numbers of hours worked by an employee.
- There is no time limit for completion of job, workman are not in hurry to finish it and this may mean that they may pay enough attention to the quality of work, effective handling of machinery and utilization of resources in an optimum manner.
- All workers are given same treatment in terms of equal wage payment, so grievances, ill will; jealousy can be avoided among them.
- Time rate system provides regular and stable income to workers, so they can adjust and manage their budget accordingly.

- It requires less administrative attention as this system provide good faith and mutual understanding and trust between employer and employee.

Demerits:

- It does not take in to account the ability and capacity of the workers so the skilful and more capable workers who have higher production efficiency will demoralize.
- Time rate system is unrelated to the productivity and does not provide extra motivation for extra efforts by the workers.
- The labor charges for a particular job do not remain constant. This put the management in a difficult position in the matter of quoting rates for a particular piece of work.
- There is a possibility of systematic evasion of work by the workers, since there is no specific target or demand for specific quantity of work by the management.
- Time rate system does not ask for maintaining individual workers record, it becomes difficult for the employer to determine his relative efficiency for the purpose of performance evaluation for future promotion or rewards. Thus it does injustice to the outstanding employees.

Suitability of Time Rate Wage System:

Time rate system is suitable when the output contributed by the worker is difficult to measure and cannot be recorded in an individual basis. It is also suitable when by Cultivating mutual trust and confidence and by giving fair and equal treatment to all the employees, management can get the work done in an appropriate manner

Piece Rate Wage System:

Under this system, workers are paid according to the amount of work done or numbers of units produced or completed, the rate of each unit being settled in advance, irrespective of the time taken to do the work. This does not mean that the workers can take any time to complete a job because of his performance far exceeds the time which his employer expects he would take, the overhead charges for each unit of article will increase. There is an indirect implication that a worker should not take more than average time.

Merits:

- The main advantage of this system is recognition of merit, as efficient is rewarded, It is therefore more equitable then time rate system.
- It pays workers as per their efficiencies, ability, capacity or performance, so it gives direct stimulus and motivation to the employees for extra efforts, which may result into more productivity.
- It requires less managerial supervision as total remuneration depends upon units produced, and not on time spent in an organization.
- Being interested in continuity of his work, a workman is likely to take greater care to prevent breakdown in the machinery or in the work shop. It is a gain to the management since it reduces maintenance expenditure-in an organization.
- As the direct labour cost per unit of production remains fixed and constant, calculation of cost while filling tenders and estimates becomes easier.
- It results in to not only increase in the output and wages, but the methods of production too are also improved, as workers demand material and tools free from defects and machinery in perfect operating condition.

Demerits:

- If rates of wages are not scientifically fixed and acceptable to the workers, would result into workers exploitation and may prove counterproductive
- As workers are interested in completion of the job with a greatest speed, may damage the machinery, quality of output or may increase, rate of hazards in an organization.
- Trade unions generally do not like this system of wage payment; they may not have full support and acceptance. It may be the major issue for industrial dispute.

Suitability of Piece Rate Wage System:

It can be introduced generally in jobs of a repetitive nature, when task can be easily measured, inspected and counted. It is practically suitable for standardized processes, and it appeals to skilled and efficient workers who can increase their earnings by working to their best capacity.

Balance and Debt System:

This system combines time rate and piece rate. Under it a minimum weekly wage is guaranteed for a full weeks' work, with an alternative piece-rate determined by the rate fixed on the assumption that the worker would put enough effort to earn his minimum wage. If the wages calculated on piece bases are in excess of the time rate, the worker earns the excess. If the piece rate wages are less than the time-rate earnings, he would still get weekly wage, but on the condition that he shall have to make good the excess paid to him out of the subsequent wage he would earn.

Suppose a worker is expected to complete at least 20 pieces during the week in order to earn the minimum wage of Rs. 120, the piece rate has been fixed at a rate of Rs.6 per unit. If the worker produces 25 units within the week, his earning will be Rs. 150. If on the other hand he produces only 15 units, he will still be paid Rs. 120 his minimum weekly wage but as on the basis of piece rate his earning should amount to only Rs. 90, the sum of Rs. 30 paid in excess will be debited to him to be deducted out of his subsequent earnings. Thus under this system workers' wages are determined, by both the number of hours he works and the pieces he produces. So, it a hybrid system producing the same benefits and limitations of both the time rate and piece rare system.

10.6 Process of Wage Determination

Practically how wages are determined and maintained or administered in an organization is vary organization to organization. Ideally speaking it depends upon sole discretion that what procedure, an organization follows for wage and salary administration. More or less an attempt is made by every organization to follow the principles suggested for sound compensation management. Organization tries to inculcate systematic procedure for wage determination and their revision at an appropriate time. Process of wage determination includes job analysis and job evaluation, survey of wages in the environment, determining wage structure, and deciding rules for wage administration. Briefly these steps are discussed as under:

Step 1-Job Analysis and Job Evaluation: This may be the primary exercise that an organization needs to carefully carry out with an intention to create base for wage determination. Job analysis reveals information about tasks, duties, responsibilities and standards with proposed job is to be performed by the employees. It also guides in terms of job specification i.e. skills, ability. Qualification and experiences needed to perform the job with requisite performance standards. Job analysis gives enough information about the job and the profile of the performer in order to perform that job.

Another important exercise that an organization needs to carry out is 'Job Evaluation'. It is nothing but finding out relative worth of a job, in terms of its contribution and significance to the overall organizational objectives.

Step 2-Determining Performance Standard and Wage Surveys: Having understood the job in considerable detail an attempt is made to determine expected performance standard to be carried out by the performer. Then, an organization must survey wage rates prevails in the market for the same job or its similar type, so that attractive compensation package can be designed to induce good quality of candidature to apply for the job in an organization. Here care should be taken that wage structure should be in accordance with the complexity and efforts needed in the performance.

Step 3-Deciding Wage Structure and Rules for Its Administration: Based on collection of relevant information and taking in to account some of the influencing factors, an organization should design wage structure which includes slab for basic or minimum wages, incentives, and/or increment over a period of time to gather with other financial and nonfinancial perquisites to be offered to an employee. Attempt should be made to follow principles of fairness, equity and justice to gather with transparency while designing wage structure and deciding rules for its administration. The rules should not provoke un-justified discriminations and exploitation of workers otherwise it may prove counterproductive and may give rise to grievance, and industrial disputes.

10.7 Self Check Exercise

1. Discuss in brief principles of wages and salary administration.
2. Write a short note on factors influencing wage salary administration.
3. Discuss in brief the following:-
 - (a) Piece rate wage system
 - (b) Time rate wage system

10.8 Summary

Compensation package is one of the most significant decisions of the modern Human Resource Management, since it is carrying great influence as a maintenance factor as well as a means for employee's motivation also. Therefore organization needs to pay attention on Wage and Salary Administration in order to maintain organizational efficiency for maintaining and motivating employees. There are some of the major considerations based on which it can go for compensation determination like demand and supply of skill, organizational ability to pay, prevailing market rate, employees productivity, cost of living, trade union's bargaining power; job requirements management attitude, productivity, psychological and social factors and legislative considerations. Organization can adopt either 'Time Rate' or 'Piece Rate' method for wage payments, both are having their own merits and demerits and suitability. Organization can go for combination of the both also. There may be a standard scientific process also for wage determination, which consists of steps like job analysis and job evaluation, determination of performance standards and wage surveys and deciding wage structure and rules and policy for effective wage administration.

10.9 Glossary

1. **Remuneration-** It is the pay or other financial compensation provided in exchange for an employee's services performed or donating, or the act of providing to a number of complementary benefits in addition to pay are increasingly popular remuneration mechanisms.
2. **Wage-** A fixed regular payment earned for work or services, typically paid on a daily or weekly basis.
3. **Salary-** A type of payment a person gets work for done for a job. A salary is usually paid for a fixed period of time, such as a month or a week. Generally, it does not matter how many hours are worked, the salary remains the same.

4. **Cost of Living-** It is the amount of money needed to cover basic expenses such as housing, food, taxes and healthcare in a certain place and time period.
5. **Wage differential-** It refers to the difference in wages between people with similar skills within differing localities or industries. There are also geographical wage differentials where people with the same job may be paid different amounts based on where exactly they live and the attractiveness of the area.

10.10 Answers to Self Check Exercise:-

1. For answer refer to section 10.2
2. For answer refer to section 10.4
3. (a) For answer refer to section 10.5
(b) For answer refer to section 10.5

10.11 Terminal Questions

1. Why Wage and Salary Administration is considered as a significant Human Resource Management function? What principles an organization is require keeping in mind while deciding compensation policy?
2. What are the methods generally available to an organization for making wage payments? Discuss their suitability together with their merits and demerits.
3. Elaborate standard procedure or mechanism that an organization follows for deterring Wage and salary structure together with the rationality attached with each step.

10.12 Suggested Readings

- Yoder D, Heneman H.G., Turnbull J.G. and Stove C.H., "Handbook of Personnel Management and Labour Relations", McGraws Hill, New York.
- Gupta, C. B., "Human Resource Management", Sixth Edition, Sultan Chand & Sons, New Delhi.
- Prasad, L.M., "Human Resource Management"; Sultan Chand and Sons.
- Rao, V.S.P., "Managing Human Resources- Text and Cases", Excel Books, New Delhi.

---//---

Chapter-11

Industrial Relations

Structure

- 11.0 Learning Objectives
- 11.1 Introduction
- 11.2 Parties to Industrial Relations
- 11.3 Features of Industrial Relations
- 11.4 Objectives of Industrial Relations
- 11.5 Importance of Industrial Relations
- 11.6 Issues in Industrial Relations
- 11.7 Approaches to Industrial Relations
- 11.8 Suggestions and Measures to Improve Industrial Relations
- 11.9 Industrial Relations in India
- 11.10 Self Check Exercise
- 11.11 Summary
- 11.12 Glossary
- 11.13 Answers to Self Check Exercise
- 11.14 Terminal Questions
- 11.15 Suggested Readings

11.0 Learning Objectives

After reading the lesson, you should be able to:-

1. Explain Industrial Relations
2. Know the parties involved in Industrial Relations
3. Understand the features, objectives and importance of industrial relations
4. Know the issues in industrial relations
5. Know the suggestions and measures for improving industrial relations.

11.1 Introduction

Industrial relations has become one of the most delicate and complex problems of modern industrial society. Industrial progress is impossible without cooperation of labours and harmonious relationships. Therefore, it is in the interest of all to create and maintain good relations between employees (labour) and employers (management).

Industrial relation is not a very new concept but it has become one of the most delicate and complex problem of modern Indian society. Industrial Progress is impossible without labour management cooperation and industrial harmony. The concept of Industrial relation has a wide meaning and connotation. In the narrow sense, the term "Industrial Relation" refers to the nature of relationship between the employers and employees in an Industrial enterprise. In the broad sense, industrial relation refers to all types of relationship between all the parties concerned with the industry.

Examples are:

- Individual relations
- Relationship between employers and workers at the place of work or workers participation in management.
- Collective bargaining
- Trade union
- Machinery for settlement of industrial disputes
- Unfair labor practices
- Individual grievance and disciplinary policy and practice.
- Industrial relation training.
- State participation in industrial Relation.
- Another related term is 'employee relations' or 'Human relation'.

Definitions

The term "Industrial Relation" refers to all types of relationship between all the parties concerned with industry.

Encyclopaedia Britannica, it denotes relations of all those associated in productive work, including industry, agriculture, mining, commerce, finance, transport and other services.

Dale in his book Personnel Management and Industrial Relation, defines, "Industrial relations are relationship between management and employees or among employee and their organization that arise out of employment."

R.A. Lester, "Industrial relations involves attempts to have workable solutions between conflicting objectives and values, between incentive and economic security, between discipline and the industrial democracy, between authority and freedom and between bargaining and cooperation".

In modern usage, the phrase "Industrial Relation" includes the whole gamut of matters that arise due to the continuing relationship between the employers and the workers.

Its scope includes three rarely distinct areas:

- Relations between managers and individual workers.
- The collective relations between employers and labor (trade) union.
- The role of government in the regulation of these relationships.

These three closely associated areas are often referred-to respectively as

- Personnel Management
- Collective Bargaining
- Labor Legislation

11.2 Parties to Industrial Relations

There are three main parties in Industrial Relations:

- **Workers and their Organizations:** The personal characteristics of workers, their culture, educational attainments, qualifications, skills, attitude towards work, etc. play an important role

in industrial relations. Trade unions are formed for safeguarding the economic and social interests of the workers. They put pressure on the management for the achievement of these objectives.

- **Employers and their Organization:** The employers are a very important variable in industrial relations. They provide employment to workers and try to regulate their behavior for getting high productivity from them. In order to increase their bargaining power, employers in several industries have organized employers' associations. These associations put pressure on the trade unions and the Government.
- **Government:** The Government or State exerts an important influence on industrial relations through such measures as providing employment, intervening in working relationships and regulating wages, bonus and working conditions through various laws relating to labour. The Government keeps an eye on. Both the trade unions and employers' organizations to regulate their behaviors in the interest of the nation.

11.3 Features of Industrial Relations

Features pertaining to industrial relations are as under:

- Industrial relations are born out of **Employment Relationship** in an industrial setting. Without the existence of two parties i.e. labour and management, this relationship cannot exist. It is the industry, which provides the environment for industrial relations.
- Industrial relations are characterized by both **conflict** and **cooperation**. So the focus of industrial relations is on the study of the attitudes, relationships, practices and procedures developed by the contending parties to resolve or at least minimize conflicts.
- As the labour and management do not operate in isolation but are a part of the large system, so the study of industrial relations also includes vital **environmental issues** like technology of the workplace, country's socio-economic and political environment, nation's labour policy, attitude of trade unions, workers and employers.
- Industrial relations also involve the study of **conditions conducive to the labour, management co-operation** as well as the practices and procedures required to elicit the desired co-operation from both the parties.
- Industrial relations also study the laws, rules, regulations, agreements, awards of court, customs and traditions, as well as **policy framework** laid down by the government for eliciting co-operation between labour and management. Besides this, it makes an in-depth analysis of the **intervening patterns** of the executive and judiciary in the regulation of labour management relations.

11.4 Objectives of Industrial Relations

The primary objectives of Industrial Relation at national level are that to improving the economic condition of workers, increasing productivity and achieving industrial democracy in industrial enterprise. The labour management committee of the Asian Regional Conference of the International Labor Organization (ILO) has recognized certain fundamental objectives of Industrial relations to maintain sound and harmonious relations between employees and employers. The other objectives drawn from this objective are:

- Industrial Relation safeguards the interest of labour and management through mutual understanding and goodwill among those parties in the industry which actively participates in the process of production.
- To raise productivity of the industry at a higher level this is the need of the day to contribute to the economic development of the country.

- To avoid all forms of industrial conflict
- To minimize labour turnover and absenteeism by providing job satisfaction to the workers and increasing their morale.
- To minimize the occurrence of strikes, lockouts and gheraos.
- To encourage and develop trade unions in order to improve workers collective strength and resolving their problems through collective bargaining.
- To establish, develop and maintain industrial democracy based on employee's participation in management and profit of the industry.
- To facilitate government control over industries in regulating production and for protecting employment or where production needs to be regulated in public interest.
- To check and ensure a healthy and balanced social order in the industry.

11.5 Importance of Industrial Relations

The healthy industrial relations are key elements to the progress and success. Their significance may be discussed as under -

- **Uninterrupted Production** - The most important benefit of industrial relations is that this ensures continuity of production. This means, continuous employment for all from manager to workers. The resources are fully utilized, resulting in the maximum possible production. There is uninterrupted flow of income for all. Smooth running of an industry is of vital importance for several other industries; to other industries if the products are intermediaries or inputs; to exporters if these are export goods; to consumers and workers, if these are goods of mass consumption.
- **Reduction in Industrial Disputes** - Good industrial relations reduce the industrial disputes. Disputes are reflections of the failure of basic human urges or motivations to secure adequate satisfaction or expression which are fully cured by good industrial relations. Strikes, lockouts, go-slow tactics, gherao and grievances are some of the reflections of industrial unrest which do not spring up in an atmosphere of industrial peace. It helps promoting co-operation and increasing production.
- **High Morale** - Good industrial relations improve the morale of the employees. Employees work with great zeal with the feeling in mind that the interest of employer and employees is one and the same, i.e. to increase production. Every worker feels that he is a co-owner of the gains of industry. The employer in his turn must realize ' that the gains of industry are not for him alone but they should be shared equally and generously with his workers. In other words, complete unity of thought and action is the main achievement of industrial peace. It increases the place of workers in the society and their ego is satisfied. It naturally affects production because mighty cooperative efforts alone can produce great results.
- **Mental Revolution** - The main object of industrial relation is a complete mental revolution of Workers and employees. The industrial peace lies ultimately in a transformed outlook on the part of both. It is the business of leadership in the ranks of workers, employees and Government to work out a new relationship in consonance with a spirit of true democracy. Both should think themselves as partners of the industry and the role of workers in such a partnership should be recognized. On the other hand, workers must recognize employer's authority. It will naturally have impact on production because they recognize the interest of each other.
- **Reduced Wastage** - Good industrial relations are maintained on the basis of cooperation and recognition of each other. It will help increase production. Wastages of man, material and

machines are reduced to the minimum and thus national interest is protected. Thus, it is evident that good Industrial Relations are the basis of higher production with minimum cost and higher profits. It also results in increased efficiency of workers. New and new projects may be introduced for the welfare of the workers and to promote the morale of the people at work. An economy organized for planned production and distribution, aiming at the realization of social justice and welfare of the mass can function effectively only in an atmosphere of industrial peace. If the twin objectives of rapid national development and increased social justice are to be achieved, there must be harmonious relationship between management and labour.

11.6 Issues in Industrial Relations

- **Low Wages-** Low wages have been a perennial problem and have been a source of industrial dispute for years despite the existence of Payment of Wages Act and the Minimum Wages Act. The acts do not seem to be solving the problem due to their poor implementation. In many of the factories, workers are still given wages below subsistence level, which leads to high degree of dissatisfaction and subsequent decrease in productivity. In many industries, the minimum wages have not been revised at par to compensate for it.
- **Employment of Women-** In the Indian cultural setup, the employment of women is a major problem even though things have started changing in the recent times. There are special provisions regarding the employment of women in the Factories Act, which prohibit employment of women during the night shift and also on heavy machinery. Under the Equal Remuneration Act, women are entitled to equality of wages at par with the male workers. Some employers don't follow the above provisions in letter and spirit and continue to exploit the women workers by virtue of their strong position and because of mass illiteracy and superstition among the women workers.
- **Ignorance and illiteracy** Various labor laws that have been made would be beneficial to the workers if implemented properly. For this it is important that the workers themselves understand the underlying principles and provisions of the law and demand whatever is due to them. With high rate of ignorance and illiteracy prevailing among the workers, it can be imagined how many of them know about the laws. It is here that the exploitation of workers takes place and legal provisions are ignored totally.
- **Industrial Housing** Another burning issue in the industrial relations field is that of accommodation to the industrial employees. Here the problem is that the firms are not able to provide accommodation to the employees and further that the house rent allowance (HRA) that they provide is not sufficient to keep pace with the ever rising demands of the landlords
- **Child Labor** The law requires that no child below the age of 14 is allowed to work in any factory and the adolescent is not allowed to work in hazardous conditions. The Supreme Court has passed a ruling strictly prohibiting the employment of children in any kind of factory. But still one finds instances of violation of law.

11.7 Approaches to Industrial Relations

Industrial Relation is perceived by differently by different people. Some of the approaches to industrial relations are as follows:

There are three popular approaches to Industrial Relation: Unitary, Pluralistic and Marxist. Some others are psychological approach, sociological, V.V. Giri, Gandhian, HRD and System Approach. Here we are discussing on mainly popular approaches.

Unitary Perspective:

In unitary, the organization is perceived as an integrated and harmonious system, viewed as one happy family. A core assumption of unitary approach is that management and staff, and all

members of the organization share the same objectives, interests and purposes; thus working together, hand-in-hand, towards the shared mutual goals. Furthermore, unitary has a paternalistic approach where it demands loyalty of all employees. Trade unions are deemed as unnecessary and conflict is perceived as disruptive.

From employee point of view, unitary approach means that:

- ✓ Working practices should be flexible. Individuals should be business process improvement oriented, multi-skilled and ready to tackle with efficiency whatever tasks are required.
- ✓ If a union is recognized, its role is that of a further means of communication between groups of staff and the company.
- ✓ The emphasis is on good relationships and sound terms and conditions of employment.
- ✓ Employee participation in workplace decisions is enabled. This helps in empowering individuals in their roles and emphasizes team work, innovation, creativity, discretion in problem-solving, quality and improvement groups etc.
- ✓ Employees should feel that the skills and expertise of managers supports their endeavors.

From employer point of view, unitary approach means that:

- ✓ Staffing policies should try to unify effort, inspire and motivate employees.
- ✓ The organization's wider objectives should be properly communicated and discussed with staff.
- ✓ Reward systems should be so designed as to foster to secure loyalty and commitment.
- ✓ Line managers should take ownership of their team/staffing responsibilities.
- ✓ Staff-management conflicts - from the perspective of the unitary framework - are seen as arising from lack of information, inadequate presentation of management's policies.

The personal objectives of every individual employed in the business should be discussed with them and integrated with the organization's needs.

Pluralistic Perspective:

In pluralism the organization is perceived as being made up of powerful and divergent sub-groups - management and trade unions. This approach sees conflicts of interest and disagreements between managers and workers over the distribution of profits as normal and inescapable.

Consequently, the role of management would lean less towards enforcing and controlling and more toward persuasion and co-ordination. Trade unions are deemed as legitimate representatives of employees. Conflict is dealt by collective bargaining and is viewed not necessarily as a bad thing and if managed could in fact be channelled towards evolution and positive change. Realistic managers should accept conflict to occur.

There is a greater propensity for conflict rather than harmony. They should anticipate and resolve this by securing agreed procedures for settling disputes. The implications of this approach include:

- ✓ The firm should have industrial relations and personnel specialists who advise managers and provide specialist services in respect of staffing and matters relating to union consultation and negotiation.
- ✓ Independent external arbitrators should be used to assist in the resolution of disputes.
- ✓ Union recognition should be encouraged and union representatives given scope to carry out their representative duties.

- ✓ Comprehensive collective agreements should be negotiated with unions.

Marxist Perspective:

This view of industrial relations is a by product of a theory of capitalist society and social change. Marx argued that:

- ✓ Weakness and contradiction inherent in the capitalist system would result in revolution and the ascendancy of socialism over capitalism.
- ✓ Capitalism would foster monopolies.
- ✓ Wages (costs to the capitalist) would be minimized to a subsistence level.
- ✓ Capitalists and workers would compete/be in contention to win ground and establish their constant win-lose struggles would be evident.

This perspective focuses on the fundamental division of interest between capital and labor, and sees workplace relations against this background. It is concerned with the structure and nature of society and assumes that the conflict in employment relationship is reflective of the structure of the society. Conflict is therefore seen as inevitable and trade unions are a natural response of workers to their exploitation by capital.

11.8 Suggestions and Measures to Improve Industrial Relations

Good industrial relation refer to harmonious relations between the trade union and the management in an organization, but it is not easy to promote and maintain sound and harmonious industrial relations in an organization but there are some suggestions which are help to maintain sound and cordial relation between the labour and the management. The following suggestions and measure have been used to improve the industrial relations:

- **Support of Top Management:** Top management action always is proactive and geared to problem solving and its action and decision must be in favour of an organization and employees.
- **Sound Personnel Policies:** personnel policies constitute the business philosophy of an organization and guide it in arriving at human relations decisions. Sound policies and rules are of little help unless they are executed objectively and equitably at all the levels of an organization.
- **Positive Attitudes:** Both top management and trade union should adopt positive attitudes towards each other, they help them to understand problem of each and which can be solved by collective bargaining.
- **Collective Bargaining:** Collective bargaining is an instrument which helps to maintain industrial peace in an organization. Such collective bargaining agreements and association of employees in decision making process will bring about cooperation between labour and management.
- **Strong Trade Union and Sound Employers' Union:** Industrial relations can be sound only when the bargaining power of the employees' union is strong and equal to that of management. And employers' union should also be sound and well organized. Sound management are helpful for the maintenance and promotion of uniform personnel policies among various organizations and to protect the interest of weak employers.
- **Grievance Redressal Machinery:** There should be well established and properly administered grievance redress machinery, sometimes which provides an outlet for tensions and frustrations of workers. Similarly, a suggestions scheme will help to satisfy the creative urge of workers.

- **Training:** Job supervisors should be trained thoroughly to ensure that organizational policies and practices as well as leadership and communication skill, which help them too properly, implemented and carried into effect.
- **Follow-Up:** A regular follow up of Industrial Relations programmed is essential so that existing practice may be properly evaluated and a check may be exercised on Certain undesirable tendencies, should they manifest themselves.

11.9 Industrial Relations in India

Industrial Relations has undergone a wide change in Indian scenario, during the end of British period in India an awakening in working class was seen. The world wars forced the employers to become friendlier with the workers; to see UN interrupted production is ensured during war time. Out of their self-interest they have to become benevolent, at the same time leaders also came up, Mr. Roy, Tilak, Mahatma Gandhi and others were instrumental to organize workers union, and also force government to frame labour laws, to improve the lot of workers.

In 1929, Industrial Dispute Act was enacted and later in 1947, it became Industrial Dispute Act, where in machineries to solve industrial dispute were indicated.

- The Directive principles of state policy, as enshrined in our constitution stipulate that the state should endeavour to improve the workers conditions, working conditions, and also productivity of industries which will improve wealth of nations.
- Several acts are enacted by parliament both before and after independence which were focusing on workers interests, welfare health etc. The Factory Act, Industrial Dispute Act; Trade union Act gives major direction to achieve the constitutional directives.
- Besides this, wages Act 1948, BonusAct1965, Gratuity Act 1972, Equal remuneration Act 1975, are some of the acts in the above direction.
- In 1972 National commission on labour, recommended setting up a permanent industrial Relations commission, this was not well received by government.
- National conference in 1982 made several recommendations: Emphasis on formation of permanent industrial Relations commission, Stringent action on contravention of a mutually agreed code of conduct, A check off system was prescribed where in by ballot election, how many are real members of a union, how many, dual, boghus etc could come to light. This did not find well with unions but some unions have arranged for deduction of their subscription through employers pay counter to some extent the check of system is working.

11.10 Self Check Exercise

1. Define Industrial Relations.
2. Describe the features of Industrial Relations
3. What is the Importance of Industrial Relations?
4. Explain Industrial Relations in India.

11.11 Summary

The relationship between the employers and employees and trade unions is called Industrial Relations. Harmonious relationship is necessary for both the employers and employees to safeguard the interests of both the parties of production. The term industrial relations have a broad as well as a narrow outlook. Originally, industrial relations were broadly defined to include the relationships and interactions between employers and employees. From this perspective, industrial relations covers all aspects of the employment relationship, including human resource management, employee relations,

and union management (or labour) relations. Now its meaning has become more specific and restricted.

The industrial relations pertains to the study and practice of collective bargaining, trade unionism, and labour-management relations, while human resource management is a separate, largely distinct field that deals with non-union employment relationships and the personnel practices and policies of employers.

11.12 Glossary

- **Industry:** Industry means "any organization in which an individual is engaged.
- **Relations:** Relations mean the relations that exist in the industry between the employer and his workmen.
- **Industrial Relations:** It generally refers to the collective relations between employers and employees as a group.
- **Labour Relations:** Relation between union and management.
- **Employer Employee Relation:** Relations between management and employees.
- **Group Relation:** Relation between various groups of workmen.
- **Community or Public Relations:** Relations between industry and society

11.13 Answers to self check exercise

1. For answer refer to section 11.1
2. For answer refer to section 11.3
3. For answer refer to section 11.5
4. For answer refer to section 11.9

11.14 Terminal Questions

1. Explain the concept of Industrial Relations. What is the significance of good industrial relations and what are its objectives?
2. What do you mean by industrial relations? Discuss the role of various participants in industrial relations.
3. What do you mean by labour relations? What measures would you suggest to improve labour relations in a firm?
4. Examine the current state of labour-management relations in India. What measures would you suggest to make these more cooperative?
5. Define the term industrial relations and bring out its importance.
6. Bring out the parties and their roles in Industrial Relations.
7. Describe an Industrial Relations strategy
8. Explain the different approaches to Industrial Relations.

11.15 Suggested Readings

- Aswathapa, K. (2008), Human Resource Management, 5th ed., Tata McGraw Hill.
- Dipak Kumar Bhattacharyya, Human Resource Management, Excel Books.

- French, W.L. (1990), Human Resource Management, 4th ed., Houghton Mifflin, Boston. H.J. Bernardin, Human Resource Management, Tata McGraw Hill, New Delhi, 2004. Ivancevich, J. M. (2008), Human Resource Management, Tata McGraw Hill.
- Madhurima Lall and Sakina Qasim Zaidi, Human Resource Management, Excel Notes Books.
- Rao P.S. (2008), Essentials of Human Resource Management and Industrial. Relations, Text cases and Games, Himalaya Publication .

---//---

Chapter-12

Collective Bargaining

Structure

- 12.0 Learning Objectives
- 12.1 Introduction
- 12.2 Features of Collective Bargaining
- 12.3 Characteristics of Collective Bargaining
- 12.4 Importance of Collective Bargaining
- 12.5 Process of Collective Bargaining
- 12.6 Types of Collective Bargaining in India
- 12.7 Self Check Exercise
- 12.8 Summary
- 12.9 Glossary
- 12.10 Answers to Self Check Exercise
- 12.11 Terminal Questions
- 12.12 Suggested Readings

12.0 Learning Objectives

After reading the lesson, you should be able to:-

1. Explain the concept, features and characteristics of Collective Bargaining.
2. Understand the importance and Process of Collective Bargaining

12.1 Introduction

Collective bargaining is a type of negotiation used by employees to work with their employers. During a collective bargaining period, workers' representatives approach the employer and attempt to negotiate a contract which both sides can agree with. Typical issues covered in a labour contract are hours, wages, benefits, working conditions, and the rules of the workplace. Once both sides have reached a contract that they find agreeable, it is signed and kept in place for a set period of time, most commonly three years. The final contract is called a collective bargaining agreement, to reflect the fact that it is the result of a collective bargaining effort. Collective bargaining is concerned with the relations between employers acting through management and organized labour. It is concerned not only with the negotiation of a formal labour agreement but also with the day-to-day dealings between management and the union.

12.2 Features of Collective Bargaining

The features of collective bargaining are as under:

- ✓ It is a Collective process. The representatives of both workers and management participate in bargaining.

- ✓ It is a **Continuous** process. It establishes regular and stable relationship between the parties involved. It involves not only the negotiation of the contract, but also the administration of the contract.
- ✓ It is a **Flexible and Dynamic** process. The parties have to adopt a flexible attitude through the process of bargaining.
- ✓ It is a method of **Partnership of Workers in Management**

12.3 Characteristics of Collective Bargaining

- It is a group process, wherein one group, representing the employers, and the other, representing the employees, sit together to negotiate terms of employment.
- Negotiations form an important aspect of the process of collective bargaining i.e., there is considerable scope for discussion, compromise or mutual give and take in collective bargaining.
- Collective bargaining is a formalized process by which employers and independent trade unions negotiate terms and conditions of employment and the ways in which certain employment-related issues are to be regulated at national, organizational and workplace levels.
- It a bipartite process. This means there are always two parties involved in the process of collective bargaining. The negotiations generally take place between the employees and the management. It is a form of participation.
- Collective bargaining is a complementary process i.e. each party needs something that the other party has; labour can increase productivity and management can pay better for their efforts.
- Collective bargaining tends to improve the relations between workers and the union on the one hand and the employer on the other.
- Collective Bargaining is continuous process. It enables industrial democracy to be effective. It uses cooperation and consensus for settling disputes rather than conflict and confrontation.
- Collective bargaining takes into account day to day changes, policies, potentialities, capacities and interests.
- It is a political activity frequently undertaken by professional negotiators.

12.4 Importance of Collective Bargaining

Collective bargaining includes not only negotiations between the employers and unions but also includes the process of resolving labour-management conflicts. Thus, collective bargaining is, essentially, a recognized way of creating a system of industrial jurisprudence. It acts as a method of introducing civil rights in the industry, that is, the management should be conducted by rules rather than arbitrary decision making. It establishes rules which define and restrict the traditional authority exercised by the management.

Importance to Employees

- Collective bargaining develops a sense of self respect and responsibility among the employees.
- It increases the strength of the workforce, thereby, increasing their bargaining capacity as a group.
- Collective bargaining increases the morale and productivity of employees.
- It restricts management's freedom for arbitrary action against the employees. Moreover, unilateral actions by the employer are also discouraged.

- Effective collective bargaining machinery strengthens the trade unions movement.
- The workers feel motivated as they can approach the management on various matters and bargain for higher benefits.
- It helps in securing a prompt and fair settlement of grievances.

Importance to Employers

It becomes easier for the management to resolve issues at the bargaining level rather than taking up complaints of individual workers:

- Collective bargaining tends to promote a sense of job security among employees and thereby tends to reduce the cost of labour turnover to management.
- Collective bargaining opens up the channel of communication between the workers and the management and increases worker participation in decision making.
- Collective bargaining plays a vital role in settling and preventing industrial disputes.

Importance to Society

- Collective bargaining leads to industrial peace in the country.
- It results in establishment of a harmonious industrial climate which supports which helps the pace of a nation's efforts towards economic and social development since the obstacles to such a development can be reduced considerably.
- The discrimination and exploitation of workers is constantly being checked.
- It provides a method or the regulation of the conditions of employment of those who are directly concerned about them.

12.5 Process of Collective Bargaining

Collective bargaining generally includes negotiations between the two parties (employees' representatives and employer's representatives). Collective bargaining consists of negotiations between an employer and a group of employees that determine the conditions of employment. Often employees are represented in the bargaining by a union or other labour organization. The result of collective bargaining procedure is called the collective bargaining agreement (CBA). Collective agreements may be in the form of procedural agreements or substantive agreements.

- * **Procedural Agreements:-** It deals with the relationship between workers and Management and the procedures to be adopted for resolving individual or group disputes. This will normally include procedures in respect of individual grievances, disputes and discipline. Procedural agreements are put into the company rule book which provides information on the overall terms and conditions of employment and codes of behaviour.
- * **A Substantive Agreements** deals with specific issues such as basic pay, overtime premiums, bonus agreements, holiday entitlements, hours of work, etc.

Steps in Collective Bargaining Process

The collective bargaining process comprises of five core steps:

Step 1-Prepare: This phase involves composition of a negotiation team. The negotiation team should consist of representatives of both the parties with adequate knowledge and skills for negotiation. In this phase both the employer's representatives and the union examine their own situation in order to develop the issues that they believe will be most important. The first thing to be done is to determine whether there is actually any reason to negotiate at all. A correct understanding of the main issues to

be covered and intimate knowledge of operations, working conditions, production norms and other relevant conditions is required.

Step 2-Discuss: Here, the parties decide the ground rules that will guide the negotiations. A process well begun is half done and this is no less true in case of collective bargaining. An environment of mutual trust and understanding is also created so that the collective bargaining agreement would be reached.

Step 3-Propose: This phase involves the initial opening statements and the possible options that exist to resolve them. In a word, this phase could be described as 'brainstorming'. The exchange of messages takes place and opinion of both the parties is sought.

Step4-Bargain: negotiations are easy if a problem solving attitude is adopted. This stage comprises the time when 'what ifs' and 'supposals' are set forth and the drafting of agreements take place.

Step 5-Settlement: Once the parties are through with the bargaining process, a consensual agreement is reached upon wherein both the parties agree to a common decision regarding the problem or the issue. This stage is described as consisting of effective joint implementation of the agreement through shared visions, strategic planning and negotiated change.

12.6 Types of Collective bargaining in India

Collective bargaining as it is practiced in India can be divided into three classes. First is, the bipartite agreement drawn up in voluntary negotiation between management and union. The second type is known as a settlement, while the third type of collective agreement is consent award. These are discussed below:

Bipartite Agreements: These are most important types of collective agreements because they represent a dynamic relationship that is evolving in establishment concerned without any pressure from outside. The bipartite agreements are drawn up in voluntary negotiation between management and union. Usually the agreement reached by the bipartite voluntarily has the same binding force as settlement reached in conciliation proceedings. The implementations of these types of agreements are also not a problem because both the parties feel confident of their ability to reach the agreement.

Settlements: It is tripartite in nature because usually it is reached by conciliation, i.e. it arises out of dispute referred to the appropriate labour department and the conciliation officer plays an important role in bringing about conciliation of the differing ; view-points of the parties. And if during the process of conciliation, the conciliation officer feels that there is possibility of reaching a settlement, he withdraws himself from the scene. Then the parties are to finalize the terms of the agreement and should report back to conciliation officer within a specified time. But the forms of settlement are more limited in nature than bipartite voluntary agreements, because they strictly relate to the issues referred to the conciliation officer.

Consent Award: Here the negotiation takes place between the parties when the dispute is actually pending before one of the compulsory adjudicatory authorities and the agreement is incorporated to the authorities, award. Thus though the agreement is reached voluntarily between the parties, it becomes part of the binding award pronounced by an authority constituted for the purpose.

The idea of national or industry-wide agreements and that took on a particular pattern may appear to be a more ideal system to active industrial relation through collective bargaining, but the experience of various countries shows that it is not possible to be dogmatic about the ideal type of collective bargaining, because it largely depends upon the background, traditions and local factors of a particular region or country.

12.7 Self Check Exercise

1. State whether the following statements are true or false :
 - a. Collective bargaining is a one-shot deal.
 - b. Collective bargaining has not made much headway in India when compared to other industrialized nations.
 - c. Collective bargaining is a tripartite process.
2. Describe the features of Collective bargaining.
3. What is the process of Collective bargaining?

12.8 Summary

Collective bargaining generally includes negotiations between the two parties (employees' representatives and employer's representatives). Collective bargaining consists of negotiations between an employer and a group of employees that determine the conditions of employment. Often employees are represented in the bargaining by a union or other labour organization. Collective bargaining is a type of negotiation used by employees to work with their employers. During a collective bargaining period, workers' representatives approach the employer and attempt to negotiate a contract which both sides can agree with.

12.9 Glossary

1. **Collective Bargaining** – A procedure by which the terms and conditions of employment of workers are governed by agreements between their bargaining agents and employers.
2. **Employers' Association** – It is a formal group of employers set up to defend, represent and advise affiliated employers.
3. **Industrial Conflict** – Organized protest against prevailing industrial conditions raised by a group Notes or a class of workers.
4. **Negotiation** – An interpersonal process used by two or more parties whereby both or all modify their demands to reach an agreement.
5. **Bipartite Process** – The employers and the employees negotiate the issues directly, face to face across the table. There is no third party intervention.

12.10 Answer to Self Check Exercise

1. a- False
1. b- True
1. c- False
2. For answer refer to section 12.2
3. For answer refer to section 12.5

12.11 Terminal Questions

1. Define collective bargaining. Discuss the features of this.
2. What do you mean by collective bargaining? Elaborate the importance of collective bargaining.
3. Discuss the process of collective bargaining and also elaborate the various steps involved in such process.

4. Once bargaining begins, an employer is obliged-to negotiate in good faith with the union's representatives over conditions of employment. Do you think this is being observed in actual practice in India? Why and why not?
5. What is collective bargaining? Why is it considered as the best way of determining employer-employee relations?

12.12 Suggested Readings

- Aswathapa. K., Human Resource Management, 5th ed., Tata McGraw Hill.
- Dipak Kumar Bhattacharyya, Human Resource Management, Excel Books.
- French, W.L., Human Resource Management, 4th ed., Houghton Mifflin, Boston.
- H.J. Bernardin, Human Resource Management, Tata McGraw Hill, New Delhi.
- Ivancevich, J. M., Human Resource Management, Tata McGraw Hill.
- Madhurima Lall and Sakina Qasim Zaidi, Human Resource Management, Excel Books.
- Rao P.S., Essentials of Human Resource Management and Industrial. Relations, Text cases and Games, Himalaya Publication.

---//---

Chapter-13

Industrial Dispute & Settlement

Structure

- 13.0 Learning Objectives
- 13.1 Introduction
- 13.2 Cause of Industrial Disputes
- 13.3 Impact of Industrial Disputes
- 13.4 Weapons used by Labour and Management during Industrial Disputes
- 13.5 Measures to Improve Industrial Relations
- 13.6 Dispute Resolutions
- 13.7 Settlement of Industrial Disputes
- 13.8 Self Check Exercise
- 13.9 Summary
- 13.10 Glossary
- 13.11 Answers to Self Check Exercise
- 13.12 Terminal Questions
- 13.13 Suggested Readings

13.0 Learning Objectives

After reading this lesson, you should be able to:-

1. Explain the meaning, causes and impact of Industrial Disputes
2. Know the weapons used by Labour and Management during Industrial Disputes and its measures to improve industrial relation.
3. Understand Dispute resolutions and Settlement of Industrial disputes.

13.1 Introduction

An industrial dispute may be defined as a conflict or difference of opinion between management and workers on the terms of employment. It is a disagreement between an employer and employees' representative; usually a trade union, over pay and other working conditions and can result in industrial actions: When an industrial dispute occurs, both the parties, that is the management and the workmen, try to pressurize each other. The management may resort to lockouts while the workers may resort to strikes, picketing or gheraos.

As per Section 2(k) of Industrial Disputes Act, 1947, an industrial dispute is defined as any dispute or difference between employers and employees, or between employers and workmen, or between workmen and which is connected with the employment or non-employment or the terms of employment or with the conditions of labor, of any person.

This definition includes all the aspects of a dispute. It, not only includes the disagreement between employees and employers, but also emphasizes the difference of opinion between worker and

worker. The disputes generally arise on account of poor wage structure or poor working conditions. This disagreement or difference could be on any matter concerning the workers individually or collectively. It must be connected with employment or non-employment or with the conditions of labor.

For the employee, an industrial dispute entails loss of income. The regular income by way of wages and allowance ceases, and great hardship may be caused to the worker and his family. Employees also suffer from personal injury if they indulge into strikes and picketing; and the psychological and physical consequences of forced idleness. The threat of loss of employment in case of failure to settle the dispute advantageously, or the threat of reprisal action by employers also exists. Prolonged stoppages of work have also an adverse effect on the national productivity, national income. They cause wastage of national resources. Class hatred may be generated resulting in political unrest and disrupting amicable social relations or community attitudes.

13.2 Cause of Industrial Disputes

The disputes between the management and the workers may arise on account of the ' following factors:

1. Economic Causes: These causes may be classified as:

- ✓ Demand for increase in wages on account of increase in all-India Consumer Price Index for Industrial Workers.
- ✓ Demand for higher gratuity and other retirement benefits.
- ✓ Demand for higher bonus.
- ✓ Demand for certain allowances such as:
 - ✓ House rent allowance
 - ✓ Medical allowance
 - ✓ Night shift allowance
 - ✓ Conveyance allowance
- ✓ Demand for paid holidays.
- ✓ Reduction of working hours.
- ✓ Better working conditions, etc.

2. Political Causes:

Various political parties control Trade unions in India. In many cases, their leadership vests in the hands of persons who are more interested in achieving their political interests rather than the interests of the workers.

3. Personnel Causes:

Sometimes, industrial disputes arise because of personnel problems like dismissal, retrenchment, layoff, transfer, promotion, etc.

- **Indiscipline:** Industrial disputes also take place because of indiscipline and violence on the part of the workforce. The managements to curb indiscipline and violence resort to lockouts.
- **Miscellaneous causes:** Some of the other causes of industrial disputes can be:
 - Workers' resistance to rationalization, introduction of new machinery and change of place.
 - Non-recognition of trade union

- Rumors spread out by undesirable elements
- Working conditions and working methods
- Lack of proper communication
- Behavior of supervisors
- Inter trade union Rivalry etc.

13.3 Impact of Industrial Disputes

It is self-evident that industrial disputes and industrial unrest are symptoms of a lack of cooperative spirit and of harmonious relations in industry. The continued and prolonged industrial unrest also has serious consequences for the **employees** and also for the economy at large.

From the point of view of the **employer**, an industrial dispute resulting in stoppage of work means a stoppage of production. This results in the increase in the average cost of production since fixed expenses continue to be incurred, it also leads to a fall in sales and the rate of turnover, leading to a fall in profits.

The **employer** may also be liable to compensate his customers with whom he may have contracted for regular supply. Apart from the immediate economic effects, loss of prestige and credit, alienation of the labor force, and other noneconomic, psychological and social consequences may also arise. Loss due to destruction of property, personal injury and physical intimidation or inconvenience also arises.

For the **employee**, an industrial dispute entails loss of income. The regular income by way of wages and allowance ceases, and great hardship may be caused to the worker and his family, many times resulting in deprivation, mal-nutrition, even starvation or near-starvation. The ability of trade unions to provide for the needs of striking workers, particularly in India, is very limited. Employees also suffer from personal injury, and the psychological and physical consequences of forced idleness. The threat of loss of employment in case of failure to settle the dispute advantageously, or the threat of reprisal action by employers also exists.

13.4 Weapons used by Labour and Management during Industrial Disputes

Weapons Used by Labour:

Whenever industrial disputes arise, workers generally resort to one or more of the following weapons, namely; strike, boycott, picketing and gherao. Let us discuss them one by one:

Strike:

When workers collectively cease to work in an industry, it is known as strike. Strike can be defined according to the Industrial Disputes Act, 1947 as: "It means a cessation (stoppage) of work by a body of persons employed in industry acting in combination; or a concerted refusal of any number of persons who are or have been so employed to continue to work or to accept employment; or a refusal under common understanding of any number of such persons to continue to work or to accept employment".

For trade unions, strike is the most powerful weapon for forcing the management to accept their demands. Strikes can be divided into two categories. They are:

Primary Strikes

Secondary Strikes

Primary Strikes: The primary strikes are:

- **Economic Strike** Most of the strikes of workers are for more facilities and increase in wage levels. In economic strike, the labourers demand increase in wages, traveling allowance, and

house rent allowance, dearness allowance and other facilities such as increase in privilege leave and casual leave.

- **General Strike** It means a strike by members of all or most of the unions in a region or an industry. It may be a strike of all the workers in a particular region of industry to force demands common to all the workers. It may also be an extension of the sympathetic strike to express generalized protest by the workers.
- **Stay-in Strike** In this case, workers do not absent themselves from their place of work when they are on strike. They keep control over production facilities. But do not work. Such a strike is also known as 'pen down' or 'tool down' strike.
- **Slow Down Strike** Employees remain on their jobs under this type of strike. They do not stop work, but restrict the rate of output in an organized manner. They adopt go- slow tactics to put pressure on the employers. These are some of the primary strikes.

Secondary Strikes: The secondary strike is:

- **Sympathetic Strike** When workers of one unit or industry go on strike in sympathy with workers of another unit or industry who are already on strike, it is called a sympathetic strike. The workers of sugar industry may go on strike in sympathy with their fellow workers of the textile industry who may already be on strike.
- **Boycott** The workers may decide to boycott the company in two ways. Firstly by not using its products and secondly by making an appeal to the public in general. In the former case, the boycott is known as **primary** and in the latter **secondary**. It is a coercive method whereby the management is forced to accept their demands.
- **Picketing** When workers are dissuaded from work by stationing certain men at the factory gates, such a step is known as picketing. If picketing does not involve any violence, it is perfectly legal
- **Gherao** in Hindi means to surround. The workers may gherao the members of the management by blocking their exits and forcing them to stay inside their cabins. The main object of gherao is to inflict-physical and mental torture to the person being gheraoed and hence this weapon disturbs the industrial peace to a great extent.

Weapons Used by the Management

- **Employers' Association.** The employers may form their unions to collectively oppose the working class and put pressure on the trade unions.
- **Lock-out** An employer may close down the place of employment temporarily. Such a step is technically known as lock -out. It is the reverse of a strike and is a very powerful weapon in the hands of an employer to pressurize the workers to return to the place of work.

According to the **Industrial Disputes Act, 1947**, "lock-out means the closing of a place of employment or the suspension of work, or the refusal by an employer to continue employ any number of persons employed by him.

Termination of Service The employers may terminate the services of those workers who are on strike by blacklisting them. Their lists may be circulated to other employers so as to restrict their chances of getting employment with those employers.

13.5 Measures to Improve Industrial Relations

The following measures should be taken to achieve good industrial relations:

- **Progressive Management Outlook.** There should be progressive outlook of the management of each industrial enterprise. It should be conscious of its obligations and responsibilities to the

owners of the business, the employees, the consumers and the nation. The management must recognize the rights of workers to organize unions to protect their economic and social interests.

- **Strong and Stable Union.** A strong and stable union in each industrial enterprise is essential for good industrial relations. The employers can easily ignore a weak union on the plea that it hardly represents the workers. The agreement with such a union will hardly be honoured by a large section of workforce. Therefore, there must be a strong and stable union in every enterprise to represent the majority of workers and negotiate with the management about the terms and conditions of service. The workers should realize that they have to be united and represent themselves strongly.
- **Atmosphere of Mutual Trust.** Both management and labour should help in the development of an atmosphere of mutual cooperation, confidence, and respect. Management should adopt a progressive outlook and should recognize the rights of workers. Similarly, labour unions should persuade their members to work for the common objectives of the organization. Both the management and the unions should have faith in collective bargaining and other peaceful methods of settling disputes.
- **Mutual Accommodation.** The employers must recognize the right of collective bargaining of the trade unions. In any organization, there must be a great emphasis on mutual accommodation rather than conflict or uncompromising attitude. One must clearly understand that conflicting attitude does not lead to amicable labor relations; it may foster union militancy as the union reacts by engaging in pressure tactics. The approach must be of mutual “give and take rather than “Take or leave.” The management should be willing to cooperate rather than blackmail the workers.
- **Sincere Implementation of Agreements.** The management should sincerely implement the settlements reached with the trade unions. The agreements between the management and the unions should be enforced both in letter and spirit. If the agreements are not implemented then both the union and management stop trusting each other. An environment of uncertainty is created: To avoid this, efforts should be made at both ends to ensure the follow up of the agreements.
- **Workers’ Participation in Management.** The participation of workers in the management of the industrial unit should be encouraged by making effective use of works committees, joint consultation and other methods. This will improve communication between managers and workers, increase productivity and lead to greater effectiveness.
- **Sound Personnel Policies.** The following points should be noted regarding the personnel policies. The policies should be: (i) Formulated in consultation with the workers and their representatives if they are to be implemented effectively, (ii) Clearly stated so that there is no confusion in the mind of anybody, (iii) Implementation of the policies should be uniform throughout the organization to ensure fair treatment to each worker, (iv) The role of the government.
- **Government’s Role.** The Government should play an active role for promoting industrial peace. It should make law for the compulsory recognition of a representative union in each industrial unit. It should intervene to settle disputes if the management and the workers are unable to settle their disputes. This will restore industrial harmony.

13.6 Dispute Resolutions

- **Industrial Relations Machinery:** Cordial industrial relations and lasting industrial peace require that the causes of industrial disputes should be eliminated. In other words, **preventive** steps should be taken so that industrial disputes do not occur. But if preventive machinery fails then the Government should activate the industrial **Settlement** machinery because non-settlement of

disputes proves to be harmful not only for the workers, but also for the management and the society as a whole.

The preventive machinery ensures that there are no disputes. It aims at creating an environment in which the employees are allowed to participate and there are very less chances of conflicts. It is thus proactive in nature. The settlement machinery on the other hand is reactive in nature.

After there is a problem or a dispute, the settlement machinery comes into the picture.

Prevention of Industrial Disputes

The preventive machinery has been set up with a view to creating harmonious relations between labour and management so that disputes do not arise. It comprises the following measures:

Worker's Participation in Management:

Schemes of workers' participation in management such as works committees, joint management councils and shop councils and joint councils.

Tripartite Bodies:

Industrial relations in India have been shaped largely by principles and policies evolved through tripartite consultative machinery at industry and national levels. The aim of the consultative machinery is "to bring the parties together for mutual settlement of differences in a spirit of cooperation goodwill"

- ❖ **Thus these bodies play the role of consultants:** Indian Labour Conference (ILC) and Standing Labour Committee (SLC) have been constituted to suggest ways and means to prevent disputes. The representatives of the workers and employers are nominated to these bodies by the Central Government in consultation with the All India organizations of workers and employers. The Labour Ministry settles the agenda for ILC/SLC meetings after taking into consideration the suggestions sent to it by member organizations. These two bodies work with minimum procedural rules to facilitate free and fuller discussions among the members. Please note that the ILC meets once a year, whereas the SLC meets as and when necessary.

The functions of ILC are:

- To promote uniformity in labour legislation
- To lay down a procedure for the settlement of industrial disputes
- To discuss matters of All-India importance as between employers and employees.

The ILC advises the Government on any matter referred to it for advice, taking into account suggestions made by the States and representatives of the organizations of workers and employers.

- ❖ **The Standing Labour Committee's** main function is to consider and determine such questions as may be referred to it by the Plenary Conference or the Central Government and to render advice, taking into account the suggestions made by various governments, workers and employers.

Code of Discipline:

The Code of Discipline is a set of self-imposed mutually agreed voluntary principles of discipline and relations between the management and workers in the industry. In view of growing industrial conflict, the Fifteenth Indian Labor Conference agreed that there should be a set of general principles of discipline, which should be adopted by labour and management voluntarily. To evolve such a set of principles, a tripartite sub-committee was set up. The resulting draft was discussed at Standing Labour Committee meeting in October 1957. At the Sixteenth Indian Labour Conference held in 1958, the final

form of the Code of Discipline was approved. The Code of Discipline is written in three parts. The first part lays down a common set of rules for the management and the union. The second set of rules applies to the management and the third set of rules applies to the union.

❖ **Contents of Code of Discipline**

➤ **Management and Union agree:**

- ✓ That no unilateral action should be taken in connection with any industrial matter and that disputes should be settled at appropriate levels.
- ✓ That the existing machinery for settlement of disputes should be utilized with the utmost expedition.
- ✓ That there should be no strike or lockout without notice.
- ✓ That affirming their faith in democratic principles, they bind themselves to settle all future differences. Disputes and grievances by mutual negotiation, conciliation and voluntary arbitration
- ✓ That neither party will have recourse (i) Coercion (ii) Intimidation (iii) Victimization (iv) Go-slow
- ✓ That they will promote constructive co-operation between their representatives at all levels and as between workers themselves and abide by the spirit or agreements mutually entered into.
- ✓ That they will establish, upon a mutually agreed basis, a grievance procedure, which will ensure a speedy and full investigation leading to settlement.
- ✓ That they will abide by various stages in the grievance procedure
- ✓ That they will educate the management personnel and workers regarding their obligations to each other.

➤ **Management agrees:**

- ✓ Not to increase work-loads unless agreed upon or settled otherwise
- ✓ Not to support or encourage any unfair labour practice such as: (i) Interference with the right of employees to enroll or continue as union members, (ii) Discrimination, restraint or coercion against any employee because of recognized activity of trade unions and (iii) Victimization of an employee and abuse of authority in any form.
- ✓ To take prompt action for settlement of grievances and implementation of settlements, awards, decisions and orders.
- ✓ To display in conspicuous places in the undertaking the provisions of this code in the local language(s).
- ✓ To distinguish between actions justifying immediate discharge and those where discharge must be preceded by a warning, reprimand, suspension or some form of disciplinary action and to arrange that all such disciplinary actions should be subject to an appeal through normal grievance procedures.
- ✓ To take appropriate disciplinary action against any officers and managers in cases where enquiries reveal that they were responsible for precipitating action by workers leading to indiscipline
- ✓ To recognize the union in accordance with the criteria evolved at the 16th session of the Indian Labour Conference held in March 1958.

➤ **Unions agree:**

- ✓ Not to engage in any form of physical duress.
- ✓ Not to permit demonstrations which are not peaceful and not to permit rowdyism in demonstrations
- ✓ That their members will not engage or cause other employees to engage in any union activity during working hours, unless as provide for by law agreement or practice to discourage unfair labour practices such as: (i) Negligence of duty (ii) Careless operation (iii) Insubordination
- ✓ To take prompt action to implement awards, agreements, settlements and decisions
- ✓ To display at conspicuous places in the union offices, the provisions of this code in the local languages; and
- ✓ To express disapproval and to take appropriate action against office-bearers and members of the union for indulging in action against the spirit of this code.

The code symbolizes the policy of the Government to build up an industrial democracy on voluntary basis. It tries to preserve industrial peace with the help of the employers and the employees. The Code of Discipline is the basis of non-violent relations between the union and the management. It should be followed in letter and spirit.

Standing Orders:

The Standing Orders regulate the conditions of employment from the stage of entry to the organization to the stage of exit from the organization. Thus, they form the regulatory pattern for industrial relations. Since the Standing Orders provide Do's and Don'ts, they act as a code of conduct for the employees during their working life within the organization.

The purpose of having Standing Orders at the plant level is to regulate industrial relations. They define with sufficient precision the conditions of employment under the employers and hold them liable to make the said condition known to workmen employed by them. These orders regulate the following:

- Conditions of employment
- Discharge
- Grievances
- Misconduct
- Disciplinary action etc.

On a closer examination you will be able to conclude that the Standing Orders are much **wider in scope** as compared to the Code of Discipline. The Code of Discipline just applied to the management and union and that also a specific work related area. The Standing Orders on the other hand apply to all the aspects of an employees working life. It encompasses all the rules and regulations from his entry to exit.

13.7 Settlement of Industrial Disputes

Preventive measures seek to create an environment where industrial disputes do not, arise. The machinery for the settlement of industrial disputes has been provided under the .Industrial Disputes Act, 1947. This machinery comprises:

1. Conciliation:

Conciliation or mediation signifies third party intervention in promoting the voluntary settlement of disputes. The International Labour Organization has defined conciliation as: "The practice by which the services of a neutral third party are used in a dispute as a means of helping the disputing parties to reduce the extent of their differences and to arrive at an amicable settlement or agreed solution. **It is a process of rational and orderly discussion of differences between the parties to a dispute under the guidance of a conciliator.**" The conciliator assists the parties to dispute in their negotiations by removing bottlenecks in communication between them. Conciliation machinery as provided under the Industrial Disputes Act, 1947 is as under:

- **Conciliation Officers.** The Act provides for the appointment of conciliation officers, permanently or for a limited period, for specific area or for a specific industry, to which the industrial disputes shall be referred for conciliation. The conciliation officer enjoys the powers of a civil court; he can call and witness parties on oath. The conciliation officer examines all facts relevant to the disputed matter and then gives his judgment.
- **Board of Conciliation.** The Act also empowers the Government to appoint a Board of Conciliation for promoting the settlement of disputes where the Conciliation Officer fails to do so within 14 days. The Conciliation Board is a tripartite **ad hoc body** consisting of a chairman and two to four other members nominated by the parties to the dispute. The mode and procedure of the functioning of the Board are similar to those of the Conciliation Officer.
- **Court of Inquiry:** In case the conciliation proceedings fail to settle an industrial dispute, the Government has yet another option of referring the dispute to the Court of Inquiry. The Court is expected to give its report within six months. The performance of conciliation machinery cannot be said to be satisfactory. Only 25% of cases are annually handled. Besides a very large number of disputes are filed and then withdrawn later on by workers or unions. It means petty issues are taken up for conciliation. Finally, a substantial number of cases remain pending. The ineffectiveness of conciliation machinery can be attributed largely to inefficient Conciliation officer! "Either they do not have the necessary educational background, training and experience, and knowledge of industrial relations, since most of them are promoted from the ranks of clerks and labour inspectors, or they lack interest and initiative because conciliation is devoid of conciliation machinery because of the parties' attitude of casualness towards it. Besides, the political pressures on the conciliators also cause the weakening of conciliation machinery.

2. Arbitration:

Voluntary arbitration became popular as a method of settling difference between workers and management with the advocacy Mahatma Gandhi, who had applied it very successfully in the Textile industry of Ahmedabad. However, voluntary arbitration was lent legal identity only in 1956 when Industrial Disputes Act, 1947 was amended to include a provision relating to it. On failure of conciliation proceedings, the conciliation officer may persuade the parties to refer the dispute to a voluntary arbitrator. Voluntary arbitration refers to getting the disputes settle through an **independent person** chosen by the parties involved **mutually and voluntarily**.

The provision for voluntary arbitration was made because of the lengthy legal proceedings and formalities and resulting delays involved in adjudication. It may, however, be noted that arbitrator is not vested with any judicial powers. He derives his powers to decide the dispute from the agreement that parties have made between themselves regarding the referring of dispute to the arbitrator. The arbitrator submits his award to the government. The government then publishes it within 30 days of its submission.

Regarding the performance of voluntary arbitration as a method of resolving disputes, it can be said at the very outset that it has failed to make much progress. There exists general indifference

among parties to use voluntary arbitration as a method of settling disputes. Hardly 2 to 3 percent of the disputes not settled by conciliation are referred to voluntary arbitration. The Voluntary Arbitration has not been able to achieve a lot of success in this regard.

❖ **National Commission on Labor (1969)** identified following causes for the failure of voluntary arbitration:

- Lack of arbitrators who command the confidence of the parties to the disputes.
- Law provides .no appeal against the award given by arbitrator
- Easy availability of adjudication on the failure of negotiation or conciliation.
- The absence of simplified procedure to followed in voluntary arbitration.

3. Adjudication:

The ultimate remedy for the settlement of an unresolved dispute is its reference by the Government to adjudication. Adjudication may be described as process which involves intervention in the dispute by a third party appointed by the government, with or without the consent of the parties to the dispute, for the purpose of settling the dispute. The reference of dispute to adjudication is **voluntary** when both parties agree to reference of dispute to adjudication at their own accord, and it is **compulsory** when reference is made to adjudication by the Government without the consent of either or both the parties to the dispute. The Industrial Disputes Act, 1947 provides a three-tier adjudication machinery comprising:

Labour Courts:

The Labor Courts can deal with disputes relating to:

- The propriety or legality of an order passed by an employer under the standing Orders.
- The application and interpretation of Standing Orders.
- Discharge and dismissal of workmen and grant of relief to them.
- Withdrawal of any statutory concession or privilege.
- Illegality or otherwise of any strike or lock-out
- All matters not specified in the third schedule of Industrial Disputes Act, 1947, (it deals with the jurisdiction of Industrial Tribunals).

Industrial Tribunals:

The Industrial Tribunals can deal with the following matters:

- Wages including the period and mode of payment.
- Compensatory and other allowances.
- Hours of work and rest intervals
- Leave with wages and holidays
- Bonus, profit sharing, provident fund and gratuity.
- Shift working otherwise than in accordance with standing orders.
- Rules of discipline

- Rationalization
- Retrenchment.
- Any other matter that may be prescribed.

National Tribunals:

These tribunals are meant for those disputes which, as the name suggest; involve the questions of national importance or issues which are likely to affect the industrial establishments of more than one state. The employers and unions use adjudication as a primary measure of resolving disputes. About 90 to 95 per cent of disputes are referred to adjudication machinery on an average annually. However, the functioning of adjudication machinery has not been very satisfactory, particularly because of the delays involved and the inefficient implementation of the awards. The proceedings at adjudication take unduly long period. About 50 to 60 per cent of the cases are decided in more than a year. And 25% of the cases take between 6 to 12 months.

The state of the implementation of awards (requiring implementation) is also not very commendable. 30 to 40 per cent awards are not implemented by the date of enforcement. Incomplete and abrupt implementation of awards creates suspicions in the minds of workers and shakes their faith in the machinery. Adjudication has been the most popular measure of resolving disputes accounting for more than 90 per cent of the disputes every year. However, adjudication is not a democratic method and may create bitterness among the parties. It tends to encourage litigation and irresponsible behavior among employers and labour. The functioning of the adjudication machinery has in practice been unsatisfactory. Adjudication is preferred more by employers who can afford to spend more on the legal proceedings.

13.8 Self Check Exercise

1. Explain the causes of Industrial Disputes.
2. Describe the measures to improve Industrial Relations.
3. What is Conciliation?
4. What is arbitration?
5. What is adjudication?

13.9 Summary

Industrial unrest is similar to a disease that demands cure and prevention rather than suppression. The, emergence of the concepts of human relations, human resources management and human resource development has raised some hopes of findings solution to the problems of industrial relations through applied behavioral science interventions. Industrial relation refers to all type of relationship between all the parties concerned with the industry. The fundamental objectives of industrial relations are to maintain sound and harmonious relations between employers and employees.

The HRD Manager should try to build labour management relations around mutual trust, understanding and cooperation. The conflicts and disputes between employer and employees on any industrial matter are known as Industrial Disputes. It is the most acute problem in any organization because it endangers peace in the industry. According to “Code of Industrial Relations, U.K. disputes are of two types- of right and of interest. The main causes of industrial disputes are economic, political, managerial, self-respect, ego and etc. Prevention is always better than cure. Prevention steps should,

therefore, be taken so that individual disputes do not occur. If the disputes cannot be prevented, on voluntary basis and do arise, steps have to be taken for their settlement. Industrial Disputes Act, 1947 as amended in 1982, provides several provisions for settling the disputes.

13.10 Glossary

1. **Industrial Conflict** – Organized protest against prevailing industrial conditions raised by a group Notes or a class of workers.
2. **Industrial Dispute** – Any dispute or difference between employers and employers or between employers and workmen or between workmen and workmen which is connected with the employment or non-employment or the terms of employment or with the conditions of labour of any person.
3. **Industrial Relations** – It generally refers to the collective relations between employers and employees as a group.
4. **Lock-out** – Closing down of an undertaking or the suspension of work or the refusal of an employer to continue to employ any number of persons employed by him.
5. **Negotiation** – An interpersonal process used by two or more parties whereby both or all modify their demands to reach an agreement.
6. **Strike** – A collective stoppage of work by a group of workers.

13.11 Answers to Self Check Exercise

1. For answer refer to section 13.2
2. For answer refer to section 13.5
3. For answer refer to section 13.7
4. For answer refer to section 13.7
5. For answer refer to section 13.7

13.12 Terminal Questions

1. Bring out the causes and consequences of industrial disputes. Discuss existing machinery for the settlement of industrial disputes in India.
2. Discuss the steps you would suggest to promote industrial harmony in India.
3. Explain the machinery for prevention and settlement of industrial disputes in India.
4. Do you think the right of the workers to strike is a fundamental right - as guaranteed in the Constitution of India? Why and Why not?
5. Examine the current state of labour-management relations in India. What measures would you suggest to make these more cooperative?

13.13 Suggested Readings

- Aswathapa, K., Human Resource Management, 5th ed., Tata McGraw Hill.
- Dipak Kumar Bhattacharyya, Human Resource Management, Excel Books
- French, W.L, Human Resource Management, 4th ed., Houghton Mifflin, Boston.

- H.J. Bemardin, Human Resource Management, Tata McGraw Hill, New Delhi.
- Ivancevich, J. M., Human Resource Management, Tata McGraw Hill.
- Madhurima Lall and Sakina Qasim Zaidi, Human Resource Management, Excel Books.
- Rao P.S., Essentials of Human Resource Management and Industrial. Relations, Text cases and Games, Himalaya Publication.

---//---

Chapter-14

Workers' Participation in Management

Structure

- 14.0 Learning Objectives
- 14.1 Introduction
- 14.2 Objectives of workers' participation in management.
- 14.3 Effects of participative decision-making (PDM).
- 14.4 Need for participation.
- 14.5 Scope of collective bargaining *vis-a-vis* workers' participation in management.
- 14.6 Nature of workers' participation in management.
- 14.7 Forms of workers' participation in management.
- 14.8 Essential conditions for success of workers' participation in management.
- 14.9 Barriers in workers' participation in management.
- 14.10 Self Check Exercise
- 14.11 Summary
- 14.12 Glossary
- 14.13 Answers to Self-Check Exercise
- 14.14 Terminal Questions
- 14.15 Suggested Readings

14.0 Learning Objectives

After reading this lesson, you should be able to:-

1. Explain the concept and objectives of Workers' Participation in Management
2. Know the need of participation
3. Understood the nature and forms of Workers' participation in management
4. Know the essential conditions for success of workers participation in management

14.1 Introduction

Workers' participation in management is also referred as industrial democracy. It is mental and emotional involvement in group situation which encourages workers to contribute to group goals and share responsibility. Participation has three ideal:

- (i) First, participation means mental and emotional involvement, rather than mere muscular activity. A person's self is involved rather than his body. It is more psychological than physical.
- (ii) Second idea in participation is that it motivates persons to contribute to achievement of organisational goals by creative suggestions and initiative.

- (iii) Third area is that it encourages people to accept responsibility. They are ready to work with the manager, instead of against him.

To put it briefly, it is team working together for a common purpose. It is a notion of industrial democracy. Workers have greater say over their work situation.

14.2 Objectives of Workers' Participation in Management

- (i) To raise level of motivation of workers by closer involvement.
- (ii) It is an opportunity for expression and to provide a sense of importance to workers.
- (iii) It forges ties of understanding leading to better effort and harmony.
- (iv) It is a device to counter-balance powers of managers.
- (v) It recognises human dignity.
- (vi) It is panacea for solving industrial relation problems.

14.3 Effects of Participative Decision-Making (PDM)

Participative decision-making improves both employee ability and motivation. Ability is improved primarily through communication and information sharing, which results in more *informed employees* who are better able to contribute *creative ideas*; to the *success* of the enterprise. *Motivation* is improved in part because employees tend to set higher goals participatively than management does unilaterally and in part because the process causes individuals to become ego involved and committed and to exert pressure on themselves and their co-workers to ensure that their decisions are sound and their goals are met. The act of participating can also increase *employees' sense of trust* and control, which may lower their resistance to new ways of doing things. On the *attitudinal side*, some find that participation (like job enrichment) meets their needs for challenge and accomplishment (growth), causing satisfaction.

14.4 Need for Participation

The union and the management relationship can be of any of the three patterns:

- (a) Hostility/conflict/fight
- (b) Neutral-hostility replaced by desire to negotiate/resolve problems.
- (c) Cooperation and participation which is beneficial to all.

14.5 Scope of Collective Bargaining Vis-a-Vis Workers' Participation in Management

This is explained as under:

- (a) Collective bargaining relates to *interest-related issues* in bilateral union negotiation, i.e. economic issues—compensation, welfare, security, etc.
- (b) Workers' participation in management relates to *other areas* where unions want to have say in *decision-making* (basically management functions). Work-related issues are production, quality, productivity, Safety, working conditions, training of workers, etc.

14.6 Nature of Workers' Participation in Management

Workers' participation can vary in different forms, such as:

- (i) Sharing of information: It is about the decisions taken by the management. This information is about policies and its changes, through meetings, newsletter, etc.
- (ii) Consultation: It relates to securing opinions and views of workers' representative before a decision is taken about work and working conditions.
- (iii) Joint decision making/collaboration on work-related issues.

- (iv) Co-determination/self-management on all issues to provide workers' greater autonomy and control over production process.

14.7 Forms of Workers' Participation in Management

Employee participation in management can take two forms:

- (a) *Indirect participation through representatives*, e.g. schemes of workers' participation in management, suggestion scheme, grievance committee, worker director, co-partnership, works committee.
- (b) *Direct participation of employees* in their own area on work-related problems, such as, i.e. quality circles, productivity groups, problem-solving groups, self-managing teams.

14.7.1. Background of Workers' Participation in India and Government Policy

- (i) Workers' participation philosophy was pioneered by TISCO in India as early as 1947 in the form of general wage settlement mechanism, through informal joint consultations.
- (ii) Though the Royal Commission on Labour felt the need for an internal machinery' called Works Committee in 1931, the suggestion did not receive any attention till the Industrial Disputes Act, 1947 has provided for setting up Works Committees in all undertakings employing 100 workers or more in order to remove friction between the employer and the employees. -
- (iii) The industrial Policy Resolution of 1956 has further emphasised the role of joint consultation of workers and management as a means of industrial peace. Government took great interest in setting up Joint Management Councils, particularly during the Third Five Year Plan. The study group set-up by the Central Labour Ministry to study the working of JMCs in 1962 stressed the need for workers' education for making any participation meaningful.
- (iv) Government's commitment to workers' participation was stressed when a scheme for participation at the shop floor level and plant level was introduced on 30th October, 1975 which was applicable to the manufacturing and mining units in the public, private and cooperative sectors, which employed 500 or more workers.
- (v) Government's determination was further established when Article 43(A) was inserted as a Directive Principle of State Policy in the Constitution of India by the Constitution Amendment Act, 1976. Article 43(A) reads as: "The state shall take steps by suitable legislation or in any other way, to secure the participation of workers in the management of undertakings, establishments or other organisations engaged, in any industry." In January 1977, Government decided to extend the scheme to the public sector commercial and service organisations.

14.7.2. Scheme of Workers' Participation in Management for Public Sector Undertakings

A scheme of Workers' Participation in Management was introduced in 1983, which was applicable to *public sector undertakings*. Brief details are as under:

The scheme provided for shop level councils (department) and plant (unit) level councils. We give here brief rote of these councils:

- (i) **The Shop Councils:** These are to deliberate on:

- production facilities;
- operational problems;

- waste control—cost reduction;
- safety;
- quality;
- cleanliness;
- welfare measures in the shop; and
- monthly targets of production.

(ii) The Plant Councils (Unit): These are to deliberate on:

(a) Operational Areas:

- productivity schemes;
- planning and review of monthly targets;
- house keeping;
- quality matters;
- machine utilisation;
- review of working of shop councils; and
- material and inventories.

(b) Financial Areas:

- profit and loss of unit;
- cost reduction; and
- performance of the plant

(c) Personnel Matters:

- absenteeism reduction; and
- training of workers.

(d) Welfare Matters:

- welfare schemes;
- medical and transport facilities;
- safety;
- sports; and
- housing/canteens.

(e) Environmental Areas:

- pollution control; and
- community development work by the enterprise.

14.7.3. Workers' Participation in Management Bill, 1990

So far workers' participation in management has been of voluntary form except in public sector undertakings where it is as per the central government directives. It is non-statutory. Prof. B.R. Virmani

has pointed out in "Workers' .Participation in Management", 1978, "as in Britain, in India too, such joint committees have failed because of their purely consultative and advisory character on peripheral issues, disabling them to consider substantial issues in which workers are interested."

The government introduced a bill in the Parliament on 25 May, 1990 titled "Workers' Participation in Management Bill", 1990 which provided:

- (a) Participation at shop floor level, establishment level and board of management level - in industrial establishments.
- (b) Procedure to lay for representation of employees at three levels.

However, bill could not be passed.

14.8 Essential Conditions for Success of Workers' Participation in Management

Some pre-requisites are as under:

- i. Determination and will to work together in all circumstances is essential.
- ii. Mutual trust, faith and confidence in each other.
- iii. Mutual recognition of each other's rights and responsibilities.
- iv. Constructive and positive problem-solving approach and arriving at decision process through consensus.
- v. Training in developing proper knowledge, behaviour /attitudes for management and workers relating to concept and approach towards workers' participation in management.

14.9 Barriers in Workers' Participation in Management

- (a) Lack of proper attitude towards consultative bodies due to militant attitude, negative attitude—due to past efforts on workers' participation have failed. Line managers also do not like as they feel their authority is checked.
- (b) Lack of genuine faith in the workers' participation system and willingness to work - together, such as-
 - apathy and even hostility,
 - lack of trust and suspicion,
 - lack of understanding of concept, purpose and benefits of scheme, and
 - Joint committees have become ritualistic bodies.
- (c) Lack of peaceful atmosphere as there are strikes/lock-outs.
- (d) There are number of joint bodies, e.g. works committee, production committee, suggestion committee, canteen committee and safety committee. As such there is confusion and duplication of activities.
- (e) Difference between workers' participation and collective bargaining is-not kept. Participation is treated as complementary to collective bargaining.
- (f) Sometimes trade unions are not associated in workers' participative forums and there is problems of inter-union rivalry. Besides, criteria for recognition of representative union is not defined under the law.

- (g) Gap in two-way communication and tendency to hide the real problems.
- (h) Lack of proper leadership style. It is authoritarian. As such proper training is required for management personnel.
- (i) Normally, there is delay in implementing the decisions and absence of follow up of action taken on decisions.
- (j) Political interest of trade unions is a hindrance in arriving at consensus.

14.10 Self Check Exercise

1. Define workers participation in management.
2. Describe the need for participation.
3. Describe the different forms of workers' participation in management.

14.11 Summary

Workers participation in management refers to the participation of non-managerial employees in the decision-making process of the organisation. Workers participation gives employees the mental and psychological satisfaction and thereby increases their involvement in the affairs of the organization. The objectives of workers' participation in management are to raise level of motivation of workers by closer involvement, to provide opportunity for expression and to provide a sense of importance to workers, to develop ties of understanding leading to better effort and harmony.

14.12 Glossary

1. **Negotiation** – An interpersonal process used by two or more parties whereby both or all modify their demands to reach an agreement.
2. **Tripartite Consultations** – It refer to interactions among the representatives of three actors namely workers, employers and the Government.
3. **Workers' participation in management** – Workers participation in management refers to a process in which employees have some role in decision-making of the organisation they work in.

14.13 Answer to Self Check Exercise

1. For answer refer to section 14.1
2. For answer refer to section 14.4
3. For answer refer to section 14.7

14.14 Terminal Questions

1. Define Workers' Participation in Management and explain the effect of participative decision making.
2. Discuss nature and forms of workers participation in management.
3. What are the essential conditions of workers participation in management?
4. Describe the barriers in workers participation in management.

14.15 Suggested Readings

H.P. Sims, Jr. and J.W. Dean, Jr., "Beyond Quality Circles: Self-Managing Work Teams", *Personnel*, January 1985, pp. 25-32.

E.E. Lawler, III, *High Involvement Management* (San Francisco: Jossey-Bass Publishers, 1986), pp. 46-50.

B.R. Virmani, "Workers' Participation in Management", 1978.

---//---

Human Resource Management (MC-2.3)

Assignments

Attempt any four of the assignments. Assignments are Compulsory.

1. Define HRM discuss its characteristics in brief?
2. What do you understand by human resource planning? Discuss its objectives.
3. Explain the steps in the process of recruitment.
4. Explain various on the job and off the job training methods in detail.
5. Discuss the process of job evaluation.
6. Explain in detail the process of Performance Appraisal.
7. What are the methods generally available to an organisation for making wage payments? Discuss their suitability together with their merits and demerits.
8. Define Industrial Dispute. Explain the machinery for prevention and settlement of Industrial disputes in India.