

## **DEPARTMENT OF MANAGEMENT SCIENCES**

**22PBA12 HUMAN RESOURCE MANAGEMENT**

Course Code	Course Name	Hours / Week			Credit	Total Hours	Maximum Marks
		L	T	P			
<b>22PBA12</b>	<b>HUMAN RESOURCE MANAGEMENT</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>45</b>	<b>100</b>

**Course Objective**

1. To understand the importance of Human Resource management in the business context
2. To learn the human resource planning in detail
3. To understand the importance of training and development in in HRM
4. To provide exposure for the ways and means to maintain the employee interest
5. To understand the various methods of performance evaluation in detail

**UNIT I – PERSPECTIVES IN HUMAN RESOURCE MANAGEMENT**

**9 Hours**

Introduction – Concept of Human Resource Management – Nature and Importance of HRM – Scope of Human Resource Management – History and Evolution of Human Resource Management – Functions of Human Resource Management – Role of HR Executives – Human Resource Policies – HRIS – Human Resource Accounting and Audit.

**UNIT II – THE CONCEPT OF BEST FIT EMPLOYEE**

**9 Hours**

Job Analysis and Design – Concept of Job Analysis – Process of Job Analysis – Methods of Job Analysis – Concept of Job Design – Importance of Human Resource Planning – Process of Human Resource Planning

- Need for Human Resource Planning – Forecasting human resource requirement – HR Forecasting Techniques – Concept of Recruitment – Factors Affecting Recruitment – Sources of Recruitment – Recruitment Policy – Selection – Selection Process – Selection Test – Interviews – Evaluation – Placement
- Induction and Socialization.

**UNIT III – TRAINING AND EXECUTIVE DEVELOPMENT**

**9 Hours**

Meaning of Training – Areas of Training – Types of training – purpose – benefits – Methods of Training – Orienting the employees– Training Process – Differences between Training and Development – Evaluation of Training. Management Development – Steps and types –On the Job and off the job development techniques

**UNIT IV – SUSTAINING EMPLOYEE INTEREST**

**9 Hours**

Concept of Job Evaluation, Objectives – Techniques – Advantages and Limitations – Introduction to Competency management – Compensation Management – Wage and Salary Administration – Managing Wages – Concept of Rewards and Incentives – Managing Benefits in Organizations – Concept of Employee Welfare – Welfare Measures- Types – Employee Career Planning and Growth – Concept of Employee Growth – Managing Career Planning – Elements of a Career Planning Programme – Succession Planning – Concept of job Change – Promotion – Demotion – Transfer and Separation – Implications of job change.

**UNIT V – PERFORMANCE EVALUATION AND CONTROL PROCESS**

**9 Hours**

Performance Appraisal – Overview of Performance Appraisal – Concept and Need for Performance Appraisal – Types of Appraisal Methods – Benefits – Feedback – Industry practices – Meaning and Objectives of Discipline, Grievance and Grievance Procedure – Concept of Grievance – Causes of Grievances – Forms and Effects of Grievance – Grievance Handling Procedure – Need for Grievance Redressal Procedure. Role of Information management in managing human resource

**TOTAL HOURS: 45 PERIODS**

State of the Art	Basics of Human Resource Management	
Course Outcome	CO1	Understood the importance of human resource in the dynamic environment
	CO2	Capable of developing HR strategy in line with the business strategy
	CO3	Capacity to organize training and development programme across the different levels of the organization structure
	CO4	Able to develop a system which will balance the employee interest and motive the employees to work with the organization positively
	CO5	Capable of developing suitable performance appraisal system to reward the employees in a better way

#### TEXT BOOK

1. V S P Rao, Human Resource Management, 3<sup>rd</sup> Edition, Excel Books, 2010

#### REFERENCE BOOKS

1. Gary Dessler, –Human Resource Management, Pearson Education Limited, 14<sup>th</sup> edition, 2015.
2. David A Decenzo and Stephen Robbins, –Fundamentals of Human Resource Management, Wiley, 11<sup>th</sup> edition, 2013
3. Luis R. Gomez-Mejia, David B. Balkin, Robert L Cardy, –Managing Human Resources, PHI Learning, 8<sup>th</sup> edition, 2014
4. H John Bernadin, Joyce E.L. Russel, –Human Resource Management, Tata Mc Graw Hill, 8<sup>th</sup> edition, 2012.
5. John Ivancevich, Robert Konopaske, –Human Resource Management, Tata Mc Graw Hill, 12<sup>th</sup> edn, 2012.

#### WEB REFERENCES:

1. <https://nptel.ac.in/courses/110/105/110105069/>
2. <https://nptel.ac.in/courses/110/102/110102058/>

#### CO PO MAPPING

	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9	PO10	PO11	PO12	PSO1	PSO2
CO1	2		2			1		1	1	1		1	1	1
CO2	2		2			2		1	2	1		1	1	2
CO3	2		2			2		1	2	1		1	1	2
CO4	2		2			2		1	2	2		1	1	2
CO5	2		2			1		1	2	2		1	1	1

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## Unit - 1 : Introduction to Human Resource Management

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### Structure of Unit:

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Opening Case
- 1.3 What is Human Resource Management?
- 1.4 Nature of HRM
- 1.5 Scope of HRM
- 1.6 Objectives of HRM
- 1.7 Functions of HRM
- 1.8 Role of HRM
- 1.9 HRM in the New Millennium
- 1.10 Summary
- 1.11 Self Assessment Questions
- 1.12 Reference Books

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### 1.0 Objectives

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After studying this unit, you will be able to:

- Understand the basic concepts of human resource management (HRM).
- Explain what human resource management is and how it relates to the management process.
- Provide an overview of functions of HRM.
- Describe how the major roles of HR management are being transformed.
- Explain the role of HRM in the present millennium.

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### 1.1 Introduction

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Human beings are social beings and hardly ever live and work in isolation. We always plan, develop and manage our relations both consciously and unconsciously. The relations are the outcome of our actions and depend to a great extent upon our ability to manage our actions. From childhood each and every individual acquire knowledge and experience on understanding others and how to behave in each and every situations in life. Later we carry forward this learning and understanding in carrying and managing relations at our workplace. The whole context of Human Resource Management revolves around this core matter of managing relations at work place.

Since mid 1980's Human Resource Management (HRM) has gained acceptance in both academic and commercial circle. HRM is a multidisciplinary organizational function that draws theories and ideas from various fields such as management, psychology, sociology and economics.

There is no best way to manage people and no manager has formulated how people can be managed effectively, because people are complex beings with complex needs. Effective HRM depends very much on the causes and conditions that an organizational setting would provide. Any Organization has three basic components, People, Purpose, and Structure.

In 1994, a noted leader in the human resources (HR) field made the following observation: Yesterday, the company with the access most to the capital or the latest technology had the best competitive advantage;

Today, companies that offer products with the highest quality are the ones with a leg up on the competition; But the only thing that will uphold a company's advantage tomorrow is the caliber of people in the organization.

That predicted future is today's reality. Most managers in public- and private sector firms of all sizes would agree that people truly are the organization's most important asset. Having competent staff on the payroll does not guarantee that a firm's human resources will be a source of competitive advantage. However in order to remain competitive, to grow, and diversify an organization must ensure that its employees are qualified, placed in appropriate positions, properly trained, managed effectively, and committed to the firm's success. The goal of HRM is to maximize employees' contributions in order to achieve optimal productivity and effectiveness, while simultaneously attaining individual objectives (such as having a challenging job and obtaining recognition), and societal objectives (such as legal compliance and demonstrating social responsibility).

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## 1.2 Opening Case

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On October 3, 2003, Anant Dalvi and Akhtar Khan, who worked as contract workers in Tata Electric Company until they were laid off in 1996, doused themselves with kerosene and set themselves ablaze even as their co-workers protested before the company's offices. While Dalvi died on the spot, Khan died a few days later.

The Tata Electric Company said they were no longer on their payroll and were not permanent workers. Employees union had taken up their case and filled petition in the Labour Court before their contracts were terminated. The court directed the company not to terminate their services without following the due process of law. Despite this their services were terminated on June 30, 1996.

The company union promised the workers that they would renegotiate. Yet on the night before they killed themselves when Khan and Dalvi spoke to the union leader Shinde, they were told that nothing more could be done for them. It is this that led them to take their lives. Dalvi has been in service as a peon for 17 years and Khan had been employed for 19 years. But their services were not regularized. Such workers draw salary much less than the permanent employees.

This is an example of the problem that comes under the purview of Human Resource Management- the main concept elaborated in this chapter.

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## 1.3 What is Human Resource Management?

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HRM is the study of activities regarding people working in an organization. It is a managerial function that tries to match an organization's needs to the skills and abilities of its employees.

### 1.3.1 Definitions of HRM

**Human resources management (HRM)** is a management function concerned with hiring, motivating and maintaining people in an organization. It focuses on people in organizations. **Human resource management** is designing management systems to ensure that human talent is used effectively and efficiently to accomplish organizational goals.

HRM is the personnel function which is concerned with procurement, development, compensation, integration and maintenance of the personnel of an organization for the purpose of contributing towards the accomplishments of the organization's objectives. Therefore, personnel management is the planning, organizing, directing, and controlling of the performance of those operative functions (Edward B. Philipppo).

**According to the Invancevich and Glueck**, “HRM is concerned with the most effective use of people to achieve organizational and individual goals. It is the way of managing people at work, so that they give their best to the organization”.

**According to Dessler (2008)** the policies and practices involved in carrying out the “people” or human resource aspects of a management position, including recruiting, screening, training, rewarding, and appraising comprises of HRM.

Generally HRM refers to the management of people in organizations. It comprises of the activities, policies, and practices involved in obtaining, developing, utilizing, evaluating, maintaining, and retaining the appropriate number and skill mix of employees to accomplish the organization’s objectives. The goal of HRM is to maximize employees’ contributions in order to achieve optimal productivity and effectiveness, while simultaneously attaining individual objectives (such as having a challenging job and obtaining recognition), and societal objectives (such as legal compliance and demonstrating social responsibility).

In short Human Resource Management (HRM) can be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner.

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## 1.4 Nature of HRM

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HRM is a management function that helps manager’s to recruit, select, train and develop members for an organization. HRM is concerned with people’s dimension in organizations.

The following constitute the core of HRM

- 1. HRM Involves the Application of Management Functions and Principles.** The functions and principles are applied to acquiring, developing, maintaining and providing remuneration to employees in organization.
- 2. Decision Relating to Employees must be Integrated.** Decisions on different aspects of employees must be consistent with other human resource (HR) decisions.
- 3. Decisions Made Influence the Effectiveness of an Organization.** Effectiveness of an organization will result in betterment of services to customers in the form of high quality products supplied at reasonable costs.
- 4. HRM Functions are not Confined to Business Establishments Only** but applicable to non-business organizations such as education, health care, recreation and like.

HRM refers to a set of programmes, functions and activities designed and carried out in order to maximize both employee as well as organizational effectiveness.

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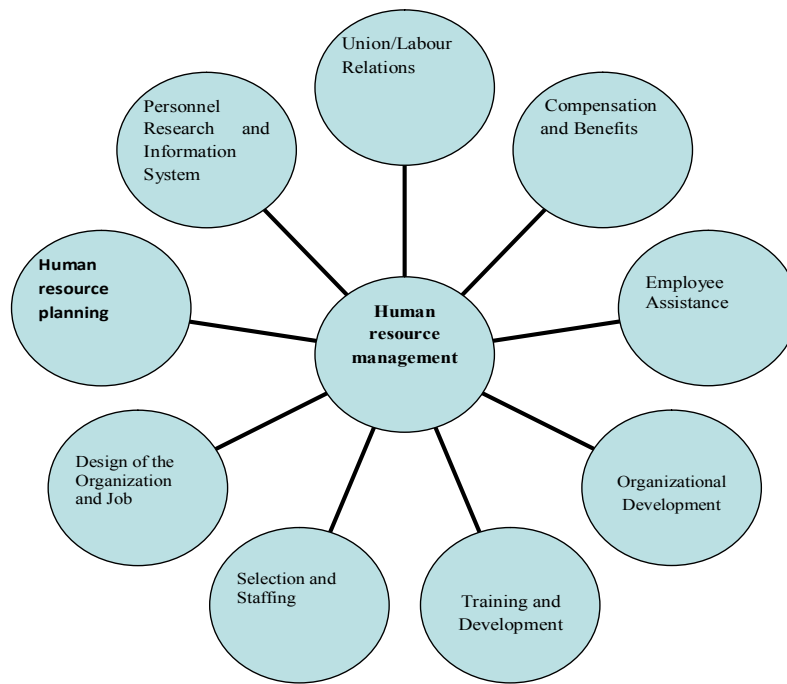
## 1.5 Scope of HRM

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The scope of HRM is indeed vast. All major activities in the working life of a worker – from the time of his or her entry into an organization until he or she leaves the organizations comes under the purview of HRM. The major HRM activities include HR planning, job analysis, job design, employee hiring, employee and executive remuneration, employee motivation, employee maintenance, industrial relations and prospects of HRM.

The scope of Human Resources Management extends to:

- All the decisions, strategies, factors, principles, operations, practices, functions, activities and methods related to the management of people as employees in any type of organization.
- All the dimensions related to people in their employment relationships, and all the dynamics that flow from it.



**Figure 1.1: Scope of HRM**

The scope of HRM is really vast. All major activities in the working life of a worker – from the time of his or her entry into an organization until he or she leaves it comes under the purview of HRM. American Society for Training and Development (ASTD) conducted fairly an exhaustive study in this field and identified nine broad areas of activities of HRM.

These are given below:

- Human Resource Planning
- Design of the Organization and Job
- Selection and Staffing
- Training and Development
- Organizational Development
- Compensation and Benefits
- Employee Assistance
- Union/Labour Relations
- Personnel Research and Information System

- a) **Human Resource Planning:** The objective of HR Planning is to ensure that the organization has the right types of persons at the right time at the right place. It prepares human resources inventory with a view to assess present and future needs, availability and possible shortages in human resource. Thereupon, HR Planning forecast demand and supplies and identify sources of selection. HR Planning develops strategies both long-term and short-term, to meet the man-power requirement.
- b) **Design of Organization and Job:** This is the task of laying down organization structure, authority, relationship and responsibilities. This will also mean definition of work contents for each position in the organization. This is done by “job description”. Another important step is “Job specification”. Job specification identifies the attributes of persons who will be most suitable for each job which is defined by job description.

- c) **Selection and Staffing:** This is the process of recruitment and selection of staff. This involves matching people and their expectations with which the job specifications and career path available within the organization.
- d) **Training and Development:** This involves an organized attempt to find out training needs of the individuals to meet the knowledge and skill which is needed not only to perform current job but also to fulfil the future needs of the organization.
- e) **Organizational Development:** This is an important aspect whereby “Synergetic effect” is generated in an organization i.e. healthy interpersonal and inter-group relationship within the organization.
- f) **Compensation and Benefits:** This is the area of wages and salaries administration where wages and compensations are fixed scientifically to meet fairness and equity criteria. In addition labour welfare measures are involved which include benefits and services.
- g) **Employee Assistance:** Each employee is unique in character, personality, expectation and temperament. By and large each one of them faces problems everyday. Some are personal some are official. In their case he or she remains worried. Such worries must be removed to make him or her more productive and happy.
- h) **Union-Labour Relations:** Healthy Industrial and Labour relations are very important for enhancing peace and productivity in an organization. This is one of the areas of HRM.
- i) **Personnel Research and Information System:** Knowledge on behavioral science and industrial psychology throws better insight into the workers expectations, aspirations and behaviour. Advancement of technology of product and production methods have created working environment which are much different from the past. Globalization of economy has increased competition many fold. Science of ergonomics gives better ideas of doing a work more conveniently by an employee. Thus, continuous research in HR areas is an unavoidable requirement. It must also take special care for improving exchange of information through effective communication systems on a continuous basis especially on moral and motivation.

HRM is a broad concept; personnel management (PM) and Human resource development (HRD) are a part of HRM.

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## 1.6 Objectives of HRM

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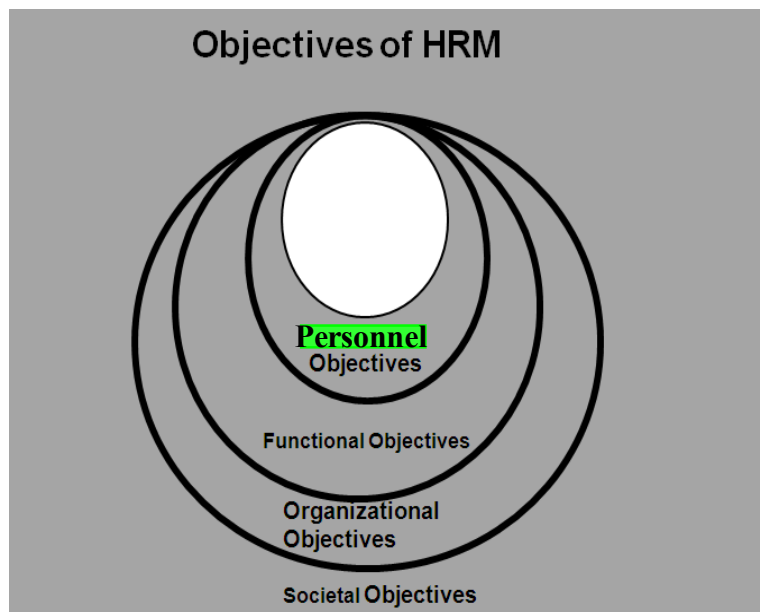
The primary objective of HRM is to ensure the availability of competent and willing workforce to an organization. The specific objectives include the following:

- 1) Human capital : assisting the organization in obtaining the right number and types of employees to fulfill its strategic and operational goals
- 2) Developing organizational climate: helping to create a climate in which employees are encouraged to develop and utilize their skills to the fullest and to employ the skills and abilities of the workforce efficiently
- 3) Helping to maintain performance standards and increase productivity through effective job design; providing adequate orientation, training and development; providing performance-related feedback; and ensuring effective two-way communication.
- 4) Helping to establish and maintain a harmonious employer/employee relationship
- 5) Helping to create and maintain a safe and healthy work environment



- 6) Developing programs to meet the economic, psychological, and social needs of the employees and helping the organization to retain the productive employees
- 7) Ensuring that the organization is in compliance with provincial/territorial and federal laws affecting the workplace (such as human rights, employment equity, occupational health and safety, employment standards, and labour relations legislation). To help the organization to reach its goals
- 8) To provide organization with well-trained and well-motivated employees
- 9) To increase the employees satisfaction and self-actualization
- 10) To develop and maintain the quality of work life
- 11) To communicate HR policies to all employees.
- 12) To help maintain ethical polices and behavior.

The above stated HRM objectives can be summarized under four specific objectives: societal, organizational, and functional and personnel.



**Figure 1.2: Objectives of HRM**

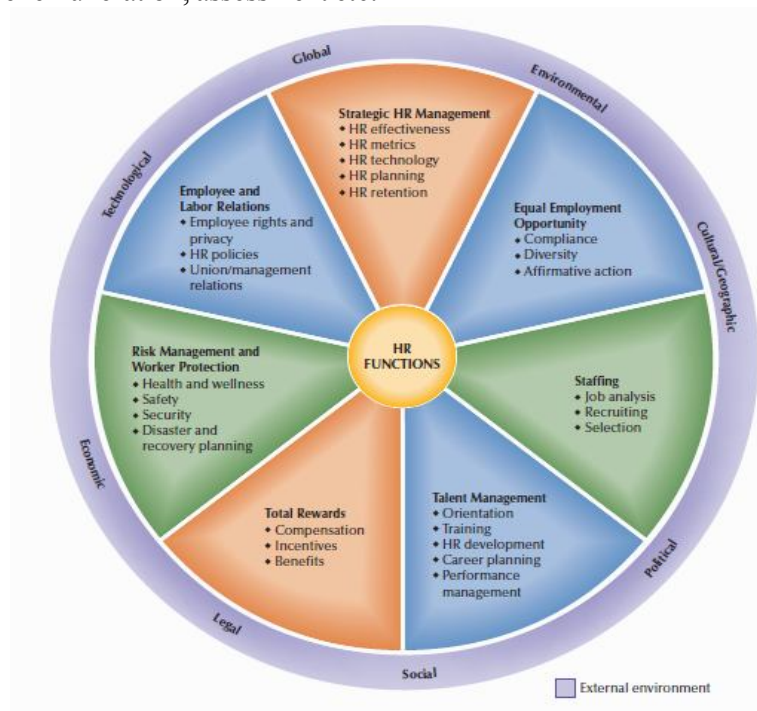
- 1) **Societal Objectives:** seek to ensure that the organization becomes socially responsible to the needs and challenges of the society while minimizing the negative impact of such demands upon the organization. The failure of the organizations to use their resources for the society's benefit in ethical ways may lead to restriction.
- 2) **Organizational Objectives:** it recognizes the role of HRM in bringing about organizational effectiveness. It makes sure that HRM is not a standalone department, but rather a means to assist the organization with its primary objectives. The HR department exists to serve the rest of the organization.
- 3) **Functional Objectives:** is to maintain the department's contribution at a level appropriate to the organization's needs. Human resources are to be adjusted to suit the organization's demands. The department's value should not become too expensive at the cost of the organization it serves.
- 4) **Personnel Objectives:** it is to assist employees in achieving their personal goals, at least as far as these goals enhance the individual's contribution to the organization. Personal objectives of employees must be met if they are to be maintained, retained and motivated. Otherwise employee performance and satisfaction may decline giving rise to employee turnover.

**Table 1.1 HRM Objectives and Functions**

HRM Objectives		Supporting Functions
1.	Societal Objectives	Legal compliance Benefits Union- management relations
2.	Organizational Objectives	Human Resource Planning Employee relations Selection Training and development Appraisal Placement Assessment
3.	Functional Objectives	Appraisal Placement Assessment
4.	Personal Objectives	Training and development Appraisal Placement Compensation Assessment

## 1.7 Functions of HRM

Human Resources management has an important role to play in equipping organizations to meet the challenges of an expanding and increasingly competitive sector. Increase in staff numbers, contractual diversification and changes in demographic profile which compel the HR managers to reconfigure the role and significance of human resources management. The functions are responsive to current staffing needs, but can be proactive in reshaping organizational objectives. All the functions of HRM are correlated with the core objectives of HRM (Table 1.1). For example personal objectives is sought to be realized through functions like remuneration, assessment etc.

**Figure 1.3 : Functions of HRM**

HR management can be thought of as seven interlinked functions taking place within organizations, as depicted in Figure 1.3. Additionally, external forces—legal, economic, technological, global, environmental, cultural/geographic, political, and social—significantly affect how HR functions are designed, managed, and changed. The functions can be grouped as follows:

- 1.) **Strategic HR Management:** As a part of maintaining organizational competitiveness, strategic planning for HR effectiveness can be increased through the use of HR metrics and HR technology. Human resource planning (HRP) function determines the number and type of employees needed to accomplish organizational goals. HRP includes creating venture teams with a balanced skill-mix, recruiting the right people, and voluntary team assignment. This function analyzes and determines personnel needs in order to create effective innovation teams. The basic HRP strategy is staffing and employee development.
- 2.) **Equal Employment Opportunity:** Compliance with equal employment opportunity (EEO) laws and regulations affects all other HR activities.
- 3.) **Staffing:** The aim of staffing is to provide a sufficient supply of qualified individuals to fill jobs in an organization. Job analysis, recruitment and selection are the main functions under staffing.

Workers job design and job analysis laid the foundation for staffing by identifying what diverse people do in their jobs and how they are affected by them.

Job analysis is the process of describing the nature of a job and specifying the human requirements such as knowledge, skills, and experience needed to perform the job. The end result of job analysis is job description. Job description spells out work duties and activities of employees.

Through HR planning, managers anticipate the future supply of and demand for employees and the nature of workforce issues, including the retention of employees. So HRP precedes the actual selection of people for organization. These factors are used when recruiting applicants for job openings. The selection process is concerned with choosing qualified individuals to fill those jobs. In the selection function, the most qualified applicants are selected for hiring from among the applicants based on the extent to which their abilities and skills are matching with the job.

- 4.) **Talent Management and Development:** Beginning with the orientation of new employees, talent management and development includes different types of training. Orientation is the first step towards helping a new employee to adjust himself to the new job and the employer. It is a method to acquaint new employees with particular aspects of their new job, including pay and benefit programmes, working hours and company rules and expectations.

Training and Development programs provide useful means of assuring that the employees are capable of performing their jobs at acceptable levels and also more than that. All the organizations provide training for new and in experienced employee. In addition, organization often provide both on the job and off the job training programmes for those employees whose jobs are undergoing change.

Likewise, HR development and succession planning of employees and managers is necessary to prepare for future challenges. Career planning has developed as result of the desire of many employees to grow in their jobs and to advance in their career. Career planning activities include assessing an individual employee's potential for growth and advancement in the organization.

Performance appraisal includes encouraging risk taking, demanding innovation, generating or adopting new tasks, peer evaluation, frequent evaluations, and auditing innovation processes.

This function monitors employee performance to ensure that it is at acceptable levels. This strategy appraises individual and team performance so that there is a link between individual innovativeness and company profitability. Which tasks should be appraised and who should assess employees' performance are also taken into account.

- 5.) **Total Rewards:** Compensation in the form of pay, incentives and benefits are the rewards given to the employees for performing organizational work. Compensation management is the method for determining how much employees should be paid for performing certain jobs. Compensation affects staffing in that people are generally attracted to organizations offering a higher level of pay in exchange for the work performed. To be competitive, employers develop and refine their basic compensation systems and may use variable pay programs such as incentive rewards, promotion from within the team, recognition rewards, balancing team and individual rewards etc. This function uses rewards to motivate personnel to achieve an organization's goals of productivity, innovation and profitability. Compensation is also related to employee development in that it provides an important incentive in motivating employees to higher levels of job performance to higher paying jobs in the organization.

Benefits are another form of compensation to employees other than direct pay for the work performed. Benefits include both legally required items and those offered at employer's discretion. Benefits are primarily related to the area of employee maintenance as they provide for many basic employee needs.

- 6.) **Risk Management and Worker Protection:** HRM addresses various workplace risks to ensure protection of workers by meeting legal requirements and being more responsive to concerns for workplace health and safety along with disaster and recovery planning.
- 7.) **Employee and Labor Relations:** The relationship between managers and their employees must be handled legally and effectively. Employer and employee rights must be addressed. It is important to develop, communicate, and update HR policies and procedures so that managers and employees alike know what is expected. In some organizations, union/management relations must be addressed as well. The term labour relation refers to the interaction with employees who are represented by a trade union. Unions are organization of employees who join together to obtain more voice in decisions affecting wages, benefits, working conditions and other aspects of employment. With regard to labour relations the major function of HR personnel includes negotiating with the unions regarding wages, service conditions and resolving disputes and grievances.

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## 1.8 Role of HRM

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The role of HRM is to plan, develop and administer policies and programs designed to make optimum use of an organizations human resources. It is that part of management which is concerned with the people at work and with their relationship within enterprises. Its objectives are: (a) effective utilization of human resources, (b) desirable working relationships among all members of the organizations, and (c) maximum individual development. Human resources function as primarily administrative and professional. HR staff focused on administering benefits and other payroll and operational functions and didn't think of themselves as playing a part in the firm's overall strategy.

HR professionals have an all encompassing role. They are required to have a thorough knowledge of the organization and its intricacies and complexities. The ultimate goal of every HR person should be to develop a linkage between the employee and organization because employee's commitment to the organization is crucial.

The first and foremost role of HR personnel is to impart continuous education to the employees about the changes and challenges facing the country in general and their organization in particular. The employees should know about the balance sheet of the company, sales progress, and diversification of plans, share price movements, turnover and other details about the company. The HR professionals should impart such knowledge to all employees through small booklets, video films and lectures.

The primary responsibilities of Human Resource managers are:

- To develop a thorough knowledge of corporate culture, plans and policies.
- To act as an internal change agent and consultant
- To initiate change and act as an expert and facilitator
- To actively involve in company's strategy formulation
- To keep communication line open between the HRD function and individuals and groups both within and outside the organization\
- To identify and evolve HRD strategies in consonance with overall business strategy.
- To facilitate the development of various organizational teams and their working relationship with other teams and individuals.
- To try and relate people and work so that the organization objectives are achieved efficiently and effectively.
- To diagnose problems and determine appropriate solution particularly in the human resource areas.
- To provide co-ordination and support services for the delivery of HRD programmes and services
- To evaluate the impact of an HRD intervention or to conduct research so as to identify, develop or test how HRD In general has improved individual and organizational performance.

Different management gurus have deliberated different roles for the HR manager based on the major responsibilities that they full fill in the organization. Few of the commonly accepted models are enumerated below.

Pat Mc Lagan has suggested nine roles that are played by HR practitioners

1. To bring the issues and trends concerning an organization's external and internal people to the attention of strategic decision makers and to recommend long term strategies to support organizational excellence and endurance.
2. To design and prepare HR systems and actions for implementation so that they can produce maximum impact on organizational performance and development.
3. To facilitate the development and implementation of strategies for transforming one's own organization by pursuing values and visions.
4. To create a positive relationship with the customer's by providing them with the best services; to utilize the resources to the maximum and to create commitment among the people who help the organization to meet the customers needs whether directly connected or indirectly connected to the organization.
5. To identify the learning needs hence to design and develop structured learning programmes and materials to help accelerate learning for individuals and groups.

6. To enable the individuals and groups to work in new situations and to expend \and change their views so that people in power move from authoritarian to participative models of leadership.
7. To help employees to assess their competencies, values and goals so that they can identify, plan and implement development plans.
8. He also assists the individual employee to add values in the workplace and to focus on the interventions and interpersonal skills for helping people change and sustain change.
9. He assesses the HRD practices and programmes and their impact and to communicate results so that the organization and its people accelerate their change and development.

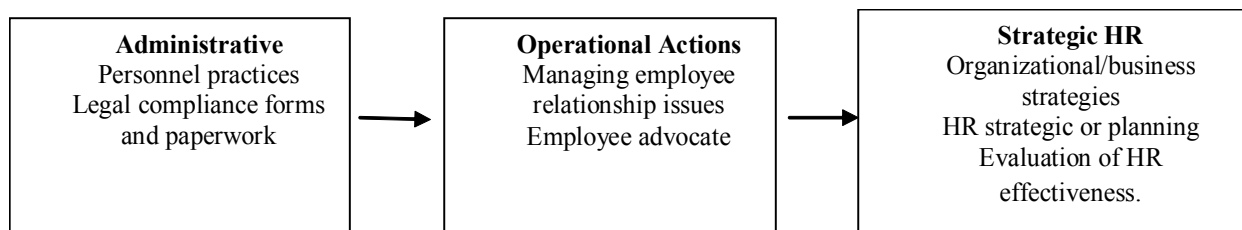
According to Dave Ulrich HR play's four key roles.

1. **Strategic Partner Role**-turning strategy into results by building organizations that create value;
2. **Change Agent Role**- making change happen, and in particular, help it happen fast
3. **Employees Champion Role**—managing the talent or the intellectual capital within a firm
4. **Administrative Role**—trying to get things to happen better, faster and cheaper.

The role HR in organizations has undergone an extensive change and many organizations have gradually oriented themselves from the traditional personnel management to a human resources management approach. The basic approach of HRM is to perceive the organization as a whole. Its emphasis is not only on production and productivity but also on the quality of life. It seeks to achieve the paramount development of human resources and the utmost possible socio-economic development.

### Current Classification of HR roles

According to R.L Mathis and J. H. Jackson (2010) several roles can be fulfilled by HR management. The nature and extent of these roles depend on both what upper management wants HR management to do and what competencies the HR staff have demonstrated. Three roles are typically identified for HR. The focus of each of them, as shown in Figure 1. is elaborated below:



**Figure 1.4 : Current Classification of HR roles**

### 1. Administrative Role of HR

The administrative role of HR management has been heavily oriented to administration and recordkeeping including essential legal paperwork and policy implementation. Major changes have happened in the administrative role of HR during the recent years. Two major shifts driving the transformation of the administrative role are: Greater use of technology and Outsourcing.

Technology has been widely used to improve the administrative efficiency of HR and the responsiveness of HR to employees and managers, more HR functions are becoming available electronically or are being done on the Internet using Web-based technology. Technology is being used in most HR activities, from employment applications and employee benefits enrollments to e-learning using Internet-based resources.

Increasingly, many HR administrative functions are being outsourced to vendors. This outsourcing of HR administrative activities has grown dramatically in HR areas such as employee assistance (counseling), retirement planning, benefits administration, payroll services, and outplacement services.

## **2. Operational and Employee Advocate Role for HR**

HR managers manage most HR activities in line with the strategies and operations that have been identified by management and serves as employee “champion” for employee issues and concerns.

HR often has been viewed as the “employee advocate” in organizations. They act as the voice for employee concerns, and spend considerable time on HR “crisis management,” dealing with employee problems that are both work-related and not work-related. Employee advocacy helps to ensure fair and equitable treatment for employees regardless of personal background or circumstances.

Sometimes the HR’s advocate role may create conflict with operating managers. However, without the HR advocate role, employers could face even more lawsuits and regulatory complaints than they do now.

The operational role requires HR professionals to cooperate with various departmental and operating managers and supervisors in order to identify and implement needed programs and policies in the organization. Operational activities are tactical in nature. Compliance with equal employment opportunity and other laws is ensured, employment applications are processed, current openings are filled through interviews, supervisors are trained, safety problems are resolved, and wage and benefit questions are answered. For carrying out these activities HR manager matches HR activities with the strategies of the organization.

## **3. Strategic Role for HR**

The administrative role traditionally has been the dominant role for HR. However, as Figure 1.4 indicates that a broader transformation in HR is needed so that significantly less HR time and fewer HR staffs are used just for clerical work.

Differences between the operational and strategic roles exist in a number of HR areas. The strategic HR role means that HR professionals are proactive in addressing business realities and focusing on future business needs, such as strategic planning, compensation strategies, the performance of HR, and measuring its results. However, in some organizations, HR often does not play a key role in formulating the strategies for the organization as a whole; instead it merely carries them out through HR activities.

Many executives, managers, and HR professionals are increasingly seeing the need for HR management to become a greater strategic contributor to the “business” success of organizations. HR should be responsible for knowing what the true cost of human capital is for an employer. For example, it may cost two times key employees’ annual salaries to replace them if they leave. Turnover can be controlled through HR activities, and if it is successful in saving the company money with good retention and talent management strategies, those may be important contributions to the bottom line of organizational performance.

The role of HR as a *strategic business partner* is often described as “having a seat at the table,” and contributing to the strategic directions and success of the organization. That means HR is involved in *devising* strategy in addition to *implementing* strategy. Part of HR’s contribution is to have financial expertise and to produce financial results, not just to boost employee morale or administrative efficiencies. Therefore, a significant concern for chief financial officers (CFOs) is whether HR executives are equipped to help them to plan and meet financial requirements.

However, even though this strategic role of HR is recognized, many organizations still need to make significant progress toward fulfilling it. Some examples of areas where strategic contributions can be made by HR are:

- Evaluating mergers and acquisitions for organizational “compatibility,” structural changes, and staffing needs
- Conducting workforce planning to anticipate the retirement of employees at all levels and identify workforce expansion in organizational strategic plans
- Leading site selection efforts for new facilities or transferring operations to international outsourcing locations based on workforce needs
- Instituting HR management systems to reduce administrative time, equipment, and staff by using HR technology
- Working with executives to develop a revised sales compensation and incentives plan as new products

It is the era when for the competitive triumph of the organization there is a need to involve HRM significantly in an integrated manner, which demands such capabilities from the HR specialists.

The role of HR shifted from a facilitator to a functional peer with competencies in other functions, and is acknowledged as an equal partner by others. The HR is motivated to contribute to organizational objectives of profitability and customer satisfaction, and is seen as a vehicle for realization of quality development. The department has a responsibility for monitoring employee satisfaction, since it is seen as substitute to customer satisfaction.

According to McKinsey’s 7-S framework model HR plays the role of a catalyst for the organization. According to this framework, effective organizational change is a complex relationship between seven S’s. HRM is a total matching process between the three Hard S’s (Strategy, Structure and Systems) and the four Soft S’s (Style, Staff, Skills and Super-ordinate Goals). Clearly, all the S’s have to complement each other and have to be aligned towards a single corporate vision for the organization to be effective. It has to be realized that most of the S’s are determined directly or indirectly by the way Human Resources are managed, and therefore, *HRM must be a part of the total business strategy*.

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## 1.9 HRM in the New Millennium

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Human Resources have never been more indispensable than today. The competitive forces that we face today will continue to face in the future demanding organizational excellence. In order to achieve this extended quality, organization’s need to focus on learning, quality development, teamwork, and reengineering. These factors are driven by the way organizations implement things and how employees are treated.

**1. HR Can Help in Dispensing Organizational Excellence:** To achieve this paradigm shift in the organization excellence there is a need for organizations to reform the way in which work is carried out by the Human Resource department. By designing an entirely new role and agenda that results in enriching the organization’s value to customers, investors and employees, HR can help in delivering organizational excellence. This can be carried out by helping line managers and senior managers in moving planning from the conference room to the market place and by becoming an expert in the way work is organized and executed.

HR should be a representative of the employees and should help the organization in improving its capacity



for change. HR will help the organizations in facing the competitive challenges such as globalization, profitability through growth, technology, intellectual capital, and other competitive challenges that the companies are facing while adjusting to uncontrollably challenging changes in business environment. The novel role of HR is to rapidly turn strategy into action; to manage processes intelligently and efficiently; to maximize employee contribution and commitment and to construct favorable conditions for flawless change.

**2. Human Resource Should be a Strategy Partner:** HR should also become a partner in strategy executions by propelling and directing serious discussions of how the company should be organized to carry out its strategy.

Creating the conditions for this discussion involves four steps. First HR need to define an organizational architecture by identifying the company's way of doing business. Second, HR must be held responsible for conducting an organizational audit. Third, HR as a strategic partner needs to identify methods for restoring the parts of the organizational architecture that need it. Fourth and finally, HR must take stock of its own work and set clear priorities. In their new role as administrative experts they will need to shed their traditional image and still make sure all routine work for the company is done well.

**3. HR Accountability Should be Fixed to Ensure Employee Commitment:** HR must be held accountable for ensuring that employees feel committed to the organization and contribute fully. They must take responsibility for orienting and training line management about the importance of high employee morale and how to achieve it. The new HR should be the voice of employees in management discussions. The new role for HR might also involve suggesting that more teams be used on some projects or that employees be given more control over their own work schedules.

**4. The New HR Must Become a Change Agent:** The new HR must become a change agent, which is building the organization's capacity to embrace and capitalize on change. Even though they are not primarily responsible for executing change it is the duty of the HR manager to make sure that the organization carries out the changes framed for implementation.

**5. Improving the Quality of HR:** The most important thing that managers can do to drive the new mandate for HR is to improve the quality of the HR staff itself. Senior executives must get beyond the stereotypes of HR professionals as incompetent support staff and unleash HR's full potential

**6. Change in Employment Practices:** The balance sheet of an organization shows human resource as an expense and not as a Capital. In the information age, it is perceived that the machines can do the work more efficiently than most people however; technology to work is dependent on people.

The challenges for Employment Practice in the New Millennium will require that there should be strategic involvement of the **people and labour-management partnerships** as they both have to take organization ahead.

**7. Benchmarking Tool Must be Mastered by HR Professionals:** HR professionals must master benchmarking, which is a tool for continuous improvement- directing the human side associated with the strategic path adopted by the organization. Through this, HR department will start appreciating the changes happening within and outside the environment while expanding the knowledge about how to add value to decision making at the highest level of the organization.

**8. Aligning Human Resources to Better Meet Strategic Objectives:** Too often organizations craft their strategy in a vacuum. Some organizations don't even include key people during strategy formulation resulting in lacunae between the actual problems and the solutions implemented- as critical inputs are not sought from those individuals who are supposed to implement the new strategies.

A past CEO of Sony once said that organizations have access to the same technology and the same information. The difference between any two organizations is the “people”- the human resource. Empowering the workforce is an essential tool for aligning human resources with the achievement of corporate objectives. It is the duty of HR manager to hire talented human resource and to provide them with a positive environment where they will be able to utilize their skills and potentials and to create an environment in which these individuals are comfortable taking risks.

**9. Promote From Within and Invest in Employees:** Promoting employees from within sends a powerful message that the organization’s employees are valued. New blood and fresh ideas often come from newcomers to the organization. To avoid stagnation of the firm, new ideas and approaches are critical. Yet to improve employee morale, promoting individuals from within the organization is essential. This communicates that the organization values their employees and invests in their human resources.

**10. Review the Recruitment and Selection Process:** A key element of human resource planning is ensuring that the supply of appropriate employees (with the right skill mix) is on board when needed. This requires a proactive approach whereby the organization anticipates its needs well in advance. It is important to identify the competencies being sought. That is, the criteria upon which selection decisions are to be made should be decided in advance. A firm must identify those skill sets required by employees to be successful. Charles O’Reilly suggests that companies should hire for attitude (perhaps even more so than technical skills). That is, the fit of the individual with the values of the organization and the culture of the firm should also be considered when selecting employees. This has been referred to as the person-organization-fit. It is no longer enough to simply consider the person’s fit (and technical skill set) with the job. Part of the employee’s fit with the organization should focus on the core values and beliefs of the organization. This will increase employees’ contributions to the overall success of the organization if they already embrace the core values of the organization prior to their selection

**11. Communicate Mission and Vision:** If employees are expected to contribute to the attainment of the organization’s strategic objectives, they must understand what their role is. This can be achieved in part by clearly communicating the mission and vision statements of the firm. The old adage is certainly true. If a person does not know where he or she is going, any road will get him or her there.

The mission communicates the identity and purpose of the organization. It provides a statement of who the firm is and what their business is. Only those employees who understand this purpose can contribute to the fullest extent possible. The vision statement provides a picture of the future state of the firm. It should be a stretch to attain. This keeps all the organization’s employees pulling in the same direction with a common end point. It is much easier to align human resources with corporate objectives when these employees are familiar with the mission and vision of the firm.

As the mission and vision statements are articulated, organizational members begin to more closely embrace their very meaning on an individual level. These statements provide a road map leading employees down the road to achieve organizational objectives. Employees then identify how they can contribute their unique talents toward the attainment of these goals.

**12. Use Teams to Achieve Synergy:** Synergy can be concisely defined as “two plus two equals five”. In other words, the whole is greater than the sum of the parts. So much more can be achieved as people work together. Through the effective use of teams, organizations can often achieve synergy. Team goals, however, must be aligned with the organization’s strategic objectives. Aligning team objectives with overall corporate objectives ensures that people are working toward the same goal

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## 1.10 Summary

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It is critical that today's organizations align their human resources to better meet strategic objectives. A failure to do so results in wasted time, energy, and resources. Organizations are more likely to achieve this alignment with their corporate objectives when they review their recruitment and selection processes for fit, communicate the mission and vision statements, use joint goal setting, design an appropriate reward system, empower the workforce, promote and develop from within, and use teams to achieve synergy. Human Resource Management is the management function that helps the managers to plan, recruit, select, train, develop, remunerate and maintain members for an organization. HRM has four objectives of societal, organizational, functional and personal development. An organization must have set policies; definite procedures and well defined principles relating to its personnel and these contribute to the effectiveness, continuity and stability of the organization.

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## 1.11 Self Assessment Questions

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1. Define HRM? What are its functions and objectives?
2. Elaborate about the nature of HRM and its relevance in present scenario.
3. Explain the role of HR manager in HRM.

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## 1.12 Reference books

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- Biswajeet Pattanayak (2001), *Human Resource Management*, Prentice Hall of India Pvt. Ltd., New Delhi.
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## Unit - 15 : Human Resource Accounting

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### Structure of Unit:

- 15.0 Objectives
- 15.1 Introduction
- 15.2 Growth & Development of Human Resource Accounting
- 15.3 Concept of Human Resource Accounting
  - 15.3.1 Meaning & Definition
  - 15.3.2 Need and Importance of Human Resource Accounting
  - 15.3.3 Objectives of Human Resource Accounting
- 15.4 Human Resource Valuation Models
- 15.5 Human Resource Reporting in India
  - 15.5.1 Problems in HRA Reporting
  - 15.5.2 Suggestions
- 15.6 Summary
- 15.7 Self Assessment Questions
- 15.8 Reference Books

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### 15.0 Objectives

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After completing this unit you should be able to :

- Understand Meaning & Definition of Human Resource Accounting
- Classify the various development stages of Human Resource Accounting
- Learn the need & importance of Human Resource Accounting
- Point out the major objectives of Human Resource Accounting
- Understand the various HR Valuation models

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### 15.1 Introduction

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Human resources is an old field of research in economics. Without human resources, the other resources cannot be effective, thus we can say human resources mobilizes all the other resources. The evolution of service based economies from the past few decades has shifted the importance from physical assets to knowledge & attitudes of employees working in service providing firms.

The total value of any organization depends essentially on the skill set of its employees and the services they deliver. Therefore, the survival of these organization is dependent on the quality of their human resources, its knowledge, expertise, capability and perception of the organizational culture.

Hence in today's globalize knowledge driven economies, it is crucial that the humans be recognized as a central part of the total worth of an organization. Thus, the importance of human resources cannot be ignored and at this juncture, it becomes necessary to give due consideration to the development and growth of such an important resource of the organization.

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### 15.2 Growth & Development of Human Resource Accounting

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Research into Human Resource accounting began in the 1960's by Rensis Likert. It supported long term planning on diverse qualitative human resource variables yielding superior benefits in long run. Human resource Accounting is the outcome of numerous research studies conducted in the field of accounting and finance. Human resource as an asset if positioned & nurtured in the right direction may realize its full potential.

Lately, the Behavioral scientists criticized the conventional accounting practice of valuing human resource along with physical resources and stressed on the concept of assigning monetary value to human resource of the organization. They advocated that any expenses incurred on the development of human resources should be treated as capital expenditure as in the long run it gives benefits which can be measured in monetary terms.

**Eric Falmholtz** divided the development of Human Resource Accounting into five stages, which can be summed up as follows:-

**First Stage (1960 – 66)** – This symbolizes the beginning of Human Resource Accounting where the focus was to derive the concepts of Human Resource Accounting from other studies like economics etc.

**Second Stage – (1966 – 71)** – The objective here was to assess some models that would cover both costs models & monetary & non – monetary value of Human Resource .

**Third Stag - (1971 – 76)** – Here noticeable significance in the field of Human Resource Accounting grew leading to number of researches in the field. The focal point was the application of Human Resource Accounting in business organizations.

**Fourth Stage - (1976 – 80)** – This period saw the collapse of the concept of Human Resource Accounting as the organizations were not prepared to invest time , energy and most importantly the funds needed to research further deep into the concepts of Human Resource Accounting.

**Fifth Stage - (1980 Onwards)** – The explosion of service economies in developed countries brought about a renewal of interest in Human Resource Accounting. And further in mid 90's the application of Human Resource Accounting to business management gained greater impetus.

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## **15.3 Concept of Human Resource Accounting**

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### **15.3.1 Meaning & Definition**

The concept of human resource accounting can be better understood by following important definitions given by eminent authors in the accounting field.

**M.N. Baker defines**, “H.R.A. is the term applied by the accountancy profession to quantify the cost and value of employees to their employing organization”.

**K.Foley Defined** “Human Resource Accounting is the measurement of the cost and value of people for organization.”

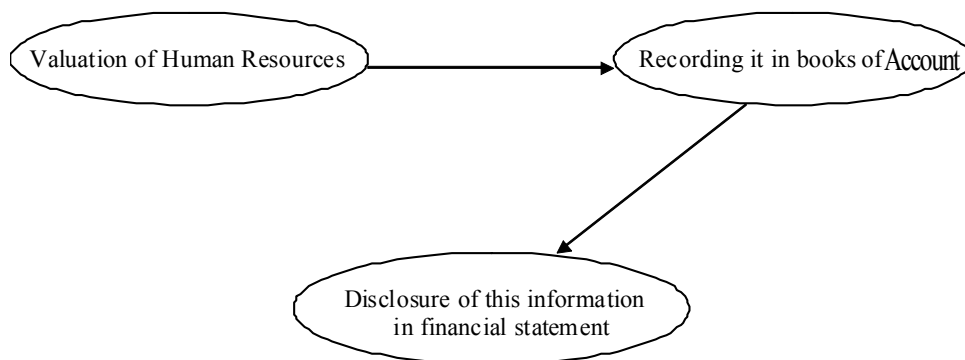
**Prof. Davidson Defined** “Human Resource Accounting is the term used to describe a variety of proposals that seek to report and emphasize the importance of human resource knowledgeable , trained and loyal employees in a company earning process and total assets”.

**The American Accounting Society Committees** on Human Resource Accounting defined it as follows:-

“Human Resource Accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties.”

**Flamholtz defines** “Human Resource Accounting as the measurement and reporting of the cost and value of people in organizational resources.”

In short, the definition of Human Resource Accounting brings out following characteristic features:



### 15.3.2 Need and Importance of Human Resource Accounting

The need for Human Resource Accounting felt largely as a result of the emerging concern for human relations management in industry. The very importance of Human Resource Accounting can be summed up through following major points –

- (a) Human Resource Accounting helps management in acquiring placing and in making effective utilization of human resources.
- (b) To retain the qualified employees
- (c) It aids in deciding the transfers , promotion , training etc of human resources.
- (d) It serves as a tool to measure and compare the expenditure incurred for imparting the training to employees and in turn the benefits derived by the firm.
- (e) Human Resource Accounting helps to improve the profile of the enterprise and its image.

### 15.3.3 Objectives of Human Resource Accounting

Putting in a capsule the main objectives of Human Resource Accounting are to:

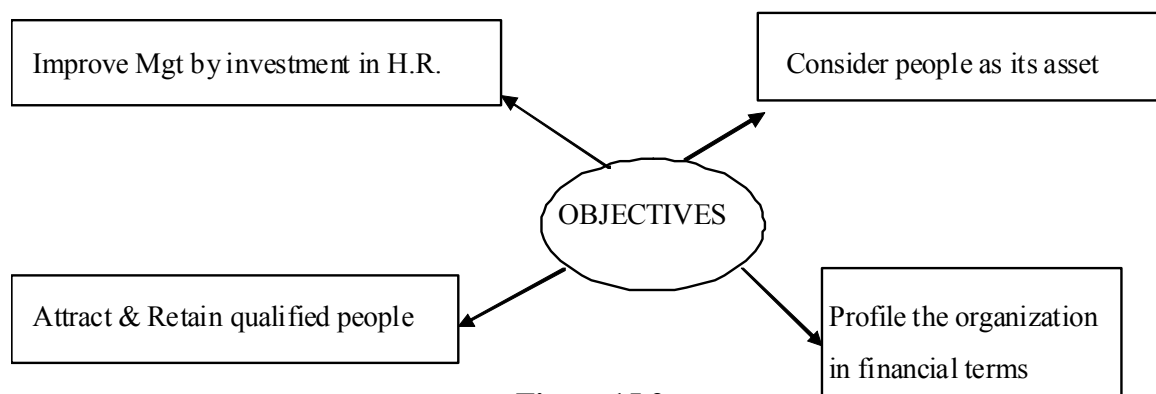


Figure 15.2

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## 15.4 Human Resource Valuation Models

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Human Resource Accounting can be explained in three ways :-

**1. MONETARY MODELS** – The Models which are created using monetary variable are called monetary models.

#### (A) COST BASED MODELS

**(i) Historical Cost Model :-** This Model was developed by Willim C. Pyle , R. Lee Brummet and Eric. G. Flamholtz. This is also called original cost method or outlay cost method. In this method actual cost incurred on recruiting , selecting , hiring , training and developing the human resource of the organization are capitalized and amortized over the expected useful life of human resources. If the human assets are liquidated pre-maturely the whole of the amount not written off is charged to the income of the year in

which year the assets is liquidated. If the useful life is recognized to be longer than originally expected revision are affected in the amortization schedule. The un-expired value is shown in balance sheet as investment in human assets.

**Merits:**

- (i) it is a simple method.
- (ii) This method can be used for evaluating return on investment in human resources.
- (iii) This method is objective rather than being subjective.

**Limitations :**

- (i) Accurate measurement not possible.
- (ii) It is difficult to estimate the number of years an Employee is going to be with the firm.  
Hence there is a problem of estimate the number of years over which the capital expenditure is to be amortized.

**(ii) Replacement Cost Model:** The replacement cost method of valuation of human resource has been developed by Eric G. Flamholtz. Under this method value to an organization of an individual's services is reflected by the amount that the organization would have to pay to replace these services.

**Merits : -**

- (i) It considers the current value of the human resource.
- (ii) Replacement cost are present oriented.
- (iii) Replacement cost is better than historic cost.

**Limitations :**

- (i) There may be no identical replacement of the existing human resources.
- (ii) The valuation of human resources based on replacement cost is affected by subjective consideration.

**(iii) Opportunity Cost Model:** This method was suggested by Hekimian and Jones This method is based on economist's concept of opportunity cost. Under opportunity cost method , the value of an employee in his alternative use is determined. This value is taken as the basis for estimating the value of human resources employed by the organization.

**Merits :**

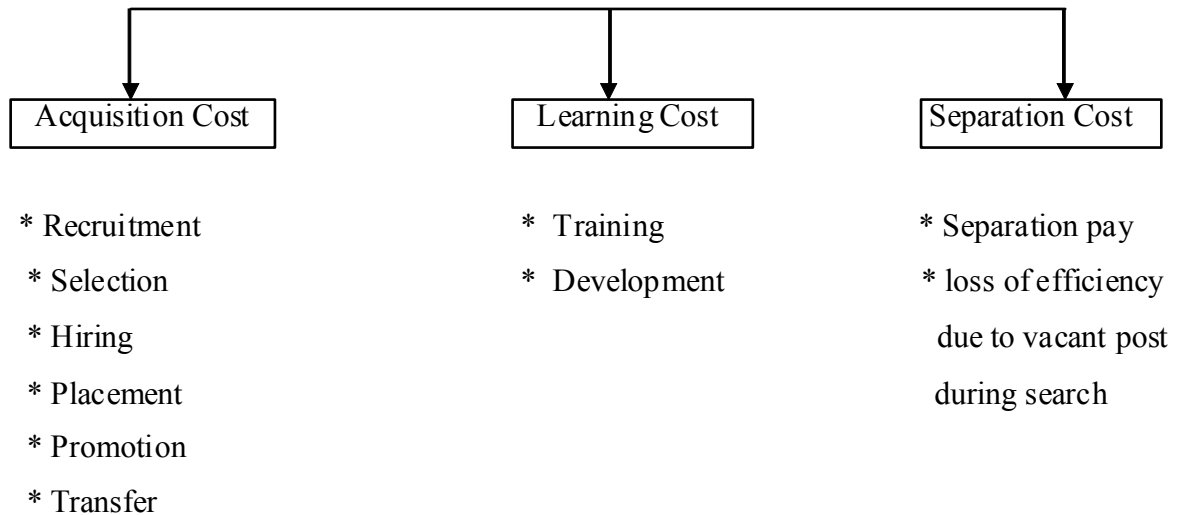
- (i) Opportunity cost approach gives more optimum allocation of personnel.
- (ii) It provides quantitative base for evaluating human assets.

**Limitation :**

- (i) This method is expensive.
- (ii) The measure of reliability of opportunity cost is less.

**(iv) Standard Cost Method:** David Watson suggested this approach. Under this method , employees of an organization are categorized into different groups as per their hierarchical positions. The standard cost is fixed for each category and then their value is calculated. The standard cost of recruiting, placing, training and developing per grade of employee is developed and established and made up to date every year , Standard method provides easy implementation.

## Replacement Cost Chart



### (B). VALUE BASED MODELS

(i) Lev and Schwartz Present Value of Future Earning Model.

s

(ii) Flamholtz Stochastic Rewards Valuation Model.

**(i) Present Value of Future Earnings Model:** This model is suggested by Branch Lev and Aba. Schwartz. This model is also known as compensation model. What is the present value of an employee ? In order to find out the present value we take the discount rate. This discount rate is normally that rate which is cost of capital. Each and every employee is classified according to his age and efficiency. Then we find out what is average income of an employee in different groups. Then we calculate the income of every group up to the date of retirement. Then we apply the cost of capital rate. Then we arrive at value of human assets of the group.

Lev and Schwartz has given the following formulas

$$V_x = T \sum_{t=x} \frac{I(t)}{(1+r)^{(t-x)}}$$

Where

$V_x$  = The human capital value of a person X year old.

$I(+)$  = The person's annual earnings up to the retirement

$r$  = A discount rate specific to the person

$T$  = Retirement age

### Merits :-

- (i) This method depends upon future earnings capacity of an employee.
- (ii) This method is depending upon the present value of future earnings capacity so this method appears to be most logical.
- (iii) Discount rate is based on cost of capital, which appears to be fair.



### Demerits :-

- (i) The method does not take in to consideration that the employees leave the organization due to number of reason other than death & retirement.
- (ii) This method ignores change in the profession of an employee due to age , health etc.

**(ii) Flamttltz's Stochastic Rewards Valuation Model:** The model is based on the presumption that a person's value to an organization depends upon the position he holds in the organization. This model gives five steps for valuing an individual in an organization.

- (i) Find out the expected service life of an individual in any organization.
- (ii) Identify how much time he will remain on particular status.
- (iii) Estimate the value derived by the organization when a person holds a particular position.
- (iv) Estimate the probability of occupying each possible mutually exclusive status at specified future time.
- (v) Discount (at a predetermined rate) the expected service rewards to their present value. The Model has used the following formulae.

$$\sum (RV) \sum_{t=1}^n \left[ \sum_{i=1}^m \frac{R_i P(R_i)}{(1+r)^t} \right]$$

$\sum (RV)$	=	Expected Realized value
$R_i$	=	Amount of service received (R) at every possible state or status
$P(R_i)$	=	Status Possible expected service to be received by the organization
$t$	=	time period.
$m$	=	Retirement Stage
$(1+r)$	=	Rate of Depreciation for money

### Merits :-

- (i) This method takes into account the probability of a person's carrier movement and of his leaving the organization prior to his retirement or death.
- (ii) The model combines both monetary and non-monetary variables.

### Demerits :

- (i) It is expensive.
- (ii) It is very difficult to estimate that for how much period an employee will continue in an organization.

### Dr. S.K. Chakraborty's Model of Human Resource Valuation: -

According to Dr. Chakraborty human assets should be included in Balance sheet on assets side under the heading "Investments" He is of the opinion that if we include it in the heading fixed Assets it will create problems like depreciation, capital gains or losses , etc. The value of human resources on a group basis can be found out by multiplying the average salary of the group with the average tenure if employment of

the employee in that group. He has suggested that recruitment , hiring , selection , development and training costs of each employee should be recorded separately , it can be treated as deferred revenue expenditure to be written off over the expected average stay of the employee in the organization and the deferred position should be shown in balance sheet of the organization. If there is a premature exit on account of death , retirement etc then the balance on the deferred revenue account for the year attributable to that person should be written off against the income of the year of exit itself.

## **2. NON-MONETARY MODEL**

### **(A) Likert's Casual, Intervening and End–Result Variable Model :-**

This model is based on behavioural variable. This model was developed by Rensis Likert and David G. Bowers of U.S.A. The model is comprised of three variables – Casual , intervening and end results.

- (i) **Casual Variable** – The casual variables are independent variables which can be directly changed by the organization and its management and which in turn determine the course of developments within an organization.
- (ii) The intervening variables reflect the internal state, health and performance capabilities of the organization e.g. the loyalties, attitudes, motivation, performance goals and perceptions of all members and their collective capacity for effective action , interaction , communications and decision – making.
- (iii) The end result variables are the dependent variable, which reflect the result achieved by the organization such as its productivity costs, scrap loss, growth, share of market & earnings.

### **Merits :-**

- (i) Model is based on non-monetary variables.
- (ii) The model is highly useful in decision making.

### **Demerits :-**

- (i) The degree of objectivity is less
- (ii) The degree of reliability is low.
- (iii) The method is expensive.

## **3. STATISTICAL BASED METHODS**

Under statistical based method of Human resources no accounting is involved. The statistical information regarding human resource is collected and they are presented in annual reports. They may be of following types:-

- (i) Monthly Statistics on.
  - (a) Recruitment Costs
  - (b) Selection Costs
  - (c) Training Costs
  - (d) Special Development programme costs
  - (e) Worker's education programmes
  - (f) Auxiliary costs such as canteen, medical and other fringe benefits
- (ii) Total Human Resource Investment analyzed workmen into

- (a) Personnel Officers, staff and workmen
- (b) Department wise
- (c) Expenses Category wise
- (iii) Periodical change in Human Resources Investment.
- (iv) Statement of contribution factor separately for officers, staff and workmen.
- (v) Statement on human resource cost co-efficient (human resource investment human resource current cost) separately for officers, staff & Workmen.
- (vi) Times rate of return analysis.
- (vii) Statement of human resource performance index showing separately for officers , staff & workmen.
- (viii) Statement of per capital Human Resource performance index showing separately for officers, staff & workmen and also total.
- (ix) Age wise Service Status
- (x) Monetary value of service statutory
- (xi) Statistics on employee turnover.
- (xiii) Any other statistics relevant to the organization.

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## 15.5 Human Resource Reporting in India

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In India, reporting practices of Human Resource Accounting is extremely low. A few companies do report in their annual reports. The reporting of Human Resource Accounting is in some sentences. Some Companies furnish information about number of employees working in the organization, how many working hours have lost, what is the situation of industrial relation etc.

Both Public sector and private sector companies have used economic value approach instead of cost approach. Most of the companies have used Lev and Schwartz model. They have Lev and Schwartz model in modified way, which is similar to Flamholtz model. It has been discovered that most likely variety of the companies is replacement cost model, Human resources reporting is not because their is no legal compulsion by Indian Companies Act 1956. There is also problem in measuring Human Resources.

Human Resource Accounting has been reported by above – mentioned companies as a supplementary information in their annual reports , such reporting by companies are audited. The companies have classified their employees, age wise, they have further classified them in managers, executives, supervisors, Artisans, clerical staff etc.

Some Companies in India shows human Resource development cost i.e. training and development cost in detail while some corporation are showing them in short, some shows them in “Director’s Report or chairman speech.”

Productivity / performance statistics of human resource have been presented by some companies in detail. Average employee cost is shown by few companies only.

Appreciations and Awards received by the companies have been shown by the companies under the heading “High light” or Director’s Report or elsewhere in the annual reports of the Companies Highlight’s.

For purpose of calculating the present value of future earning of employees , all the companies have adopted a discount rate , which is not common. Majority of the companies adopted 12%.

Some of the companies have not mentioned the purpose for which they are reporting HRA information in their annual reports. Whereas some companies have clearly mentioned their objective of reporting human resource data. It seems that some companies report HRA for image building purposes. Some companies have also given additional information as regarding number of employees , average salary , average age of employees , average production per employee etc.

### **15.5.1 Problems in HRA Reporting**

1. Human Resource Accounting is shown as supplementary information in the annual reports , which has no significance.
2. All the companies who are reporting Human Resource Accounting have used Lev and Schwartz model but this model is suffering from some drawbacks. One it has assured state promotion policy and consistent average salary to all the employees in a particular group. These two assumptions are far from reality , difference in skill , experience qualifications and increasing importance of employees union often lead to change in these policies.
3. Though human capital plays an important role in any organization , there is a wide spread , disagreement regarding the reorganization and valuation of human resource as assets on generally the assets is one which fulfills the following three criteria. They are (i) the entity should have legally enforceable claim to it. (ii) It should be owned by the entity (iii) the entity should possess it with the expectation of deriving services from it in future HR are not fulfilling any criteria. As such there is a problem in recognizing human resources as assets.
4. Proper matching of costs with revenue is not possible unless the costs on the recruitment training and development of personnel are capitalized over their effective service lives. It is so because the benefits from such expenses are usually derived over a period beyond the year of payment. However in a number of cases, the earnings potential of employees may not depend upon the expenditure incurred by the firms for the purpose. But it depends upon behaviour aspects like skill , motivation group loyalty capacity for effective interaction and decision making etc , to influence the end results of an enterprises effectively.
5. The very idea of showing human resource as an asset on the balance sheet of a firm tends to be arbitrary for this purpose as per the methods available , human resource are to be valued either on the basis of cost incurred by a firm on recruitment trainings etc or replacement cost. In both the methods cost is taken as the value of human assets. But this hardly represent the real value of personnel in particular and the firm in general. The other method like discounted wage, and salaries method , economic value method , and opportunity cost method , involves the element of subjectivity in valuing the human resources.
6. Yet another difficulty regarding HRA is Quantification and pricing of employees in respect of jobs which do not yield any physical output. Determination of probabilities of the expected services of the employees is also a difficult task. These practical difficulties are subject to the influence of age qualification , the previous experience point of first entry , employment period and turn over as well as the organizational pulls and pressures on different categories of employees.
7. In all the methods , the salaries earned by the employees are taken as the basis for valuing human resources. Thus the career movement of employees either within the organization or elsewhere in the other organization is kept outside the purview of valuation. Since the employees make constant

trials to occupy higher position during their effective service life , any valuation process without considering this way tend to be less meaningful.

8. The provision of existing tax laws , do not recognize the amortized portion of capitalized human resource value as deductible expenses for computing income. Even if attempts are made to amend the existing provision of tax laws there is a greater amount of scope to misuse the facility as the employers may adopt fictitious method to undertake the profitability of their business and may show unrealistic value of the firm.

### **15.5.2 Suggestions**

In India, human resource accounting has not been introduced so far as a system. The companies Act 1956, does not require , furnishing of any significant information about human resource in financial statement of the Companies. The Institute of Chartered Accountant of India has also developed 18 Accounting Standards. The accounting standards are applicable to public and private sector companies & large borrowers of funds from banks and financial institutions in the corporate sector. It is the duty of the members Institute of Chartered Accountants of India to ensure that the accounting standards are implemented in the presentation of financial statements covered by their audit report. All these accounting standards are quite important from point of view of measurement and disclosure of accounting information.

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## **15.6 Summary**

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In today's globalized world it has become imperative to give necessary consideration to the Human Resource of the organizations. Without human resource no other resource can function effectively, therefore Human Resource has been recognized as a crucial part of total organization worth. Human Resource Accounting facilitates the management of people as organizational Resources. Human Resource Accounting in application of accounting concepts & methods to management of Human Resources it deals with investments in people and with economic results of those investments. Human Resource Accounting field underwent a number of stages beginning from 1960 to till date to assume the status of a fully fledged subject. It greatly helps the management of the business organizations in acquiring, placing and in making effective utilization of human resources. Human Resource Accounting has its number of models under the purview of monetary , non - monetary and statistical methods. But the plight of Human Resource Accounting in India is extremely poor and both public and private sector companies do not pay much head to Human Resource Reporting. Therefore, the government needs to take steps in the right directions for promotion of Human Resource Accounting Practices in India.

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## **15.7 Self Assessment Questions**

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1. What do you mean by "HRA ". Explain & Detail.
2. Classify the various stages in development of Human Resource Accounting.
3. Discuss the importance of HRA in today's globalized world.
4. Write short note on Human Resource Reporting in India.
5. What are the different valuation models of HRA ? State their merits and demerits.

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## Unit - 2 : Human Resource Planning

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### Structure of Unit:

- 2.1 Objectives
- 2.2 Introduction
- 2.3 Human Resource Planning (HRP)
- 2.4 Definition of Human Resource Planning
- 2.5 Nature of HRP
- 2.6 Objectives of Human Resource Planning
- 2.7 Need for HRP in Organizations
- 2.8 Importance of HRP
- 2.9 Factors Affecting HRP
- 2.10 HRP Process
- 2.11 Requisites for Successful HRP
- 2.12 Barriers to Human HRP
- 2.13 Summary
- 2.14 Self Assessment Questions
- 2.15 Reference Books

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### 2.1 Objectives

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After studying this unit, you will be able to:

- Understand the nature and need of HRP
- Able to gain information about different factors that affect HRP
- Realize the importance of human resource planning in current organizational scenario
- Understand the HRP process and the pre requisites for successful HRP process

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### 2.2 Introduction

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As told in the last chapter Human resource management has started to play a significant role in the overall strategic development of the organization. At present HR strategies are designed in tune with the overall business strategy of the organization. HR strategy should sub serve the interest of the organization, translating firm's goals and objectives into a consistent, integrated and complimentary set of programmes and policies for managing people.

First part of Human resource strategy is HRP – Human Resource Planning. All other HR activities like employee hiring, training and development, remuneration, appraisal and labour relations are derived from HRP. HR planning is important in a wide variety of industries and firms. HR planning affects what employers do when recruiting, selecting, and retaining people, and of course these actions affect organizational results and success. The challenges caused by changing economic conditions during recent year's show why HR workforce planning should occur.

Staffing an organization is an HR activity that is both strategic and operational in nature. As the HR Headline indicates, HR planning is important in a wide variety of industries and firms. HR planning affects what employers do when recruiting, selecting, and retaining people, and, of course these actions affect organizational results and success. Human Resources planning mean different means to different organizations. To some companies, human resources planning mean management development. It involve helping executives to make better decisions, communicate more effectively, and know more about the firm. The purpose of HRP is to make the manager a better equipped for facing the present and future.

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## 2.3 Human Resource Planning (HRP)

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Human resource planning is important for helping both organizations and employees to prepare for the future. The basic goal of human resource planning is to predict the future and based on these predictions, implement programmes to avoid anticipated problems. Very briefly human resource planning is the process of examining an organization's or individual's future human resource needs for instance, what types of skills will be needed for jobs of the future compared to future human resource capabilities (such as the types of skilled employees you already have) and developing human resource policies and practices to address potential problems for example, implementing training programmes to avoid skill deficiencies.

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## 2.4 Definition of Human Resource Planning

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**According to Vetter**, "HRP is the process by which management determines how the organization should move from its current man power position to desired manpower position. Through planning, management strives to have the right time, doing things which result in both the organization and individual receiving maximum long run benefits".

**According to Gordon Mc Beath**, "HRP is concerned with two things: Planning of manpower requirements and Planning of Manpower supplies".

**According to Beach**, "HRP is a process of determining and assuming that the organization will have an adequate number of qualified persons, available at proper times, performing jobs which meet the needs of the enterprise and which provides satisfaction for the individuals involved"

Simply HRP can be understood as the process of forecasting an organization's future demands for and supply of the right type of people in the right number. In other words HRP is the process of determining manpower needs and formulating plans to meet these needs.

### **HRP is a Four-Phased Process.**

- **The first phase** involves the gathering and analysis of data through manpower inventories and forecasts,
- **The second phase** consists of establishing manpower objectives and policies and gaining top management approval of these.
- **The third phase** involves designing and implementing plans and promotions to enable the organization to achieve its manpower objectives.
- **The fourth phase** is concerned with control and evaluation of manpower plans to facilitate progress in order to benefit both the organization and the individual. The long run view means that gains may be sacrificed in the short run for the future grounds. The planning process enables the organization to identify what its manpower needs is and what potential manpower problems required current action. This leads to more effective and efficient performance.

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## 2.5 Nature of HRP

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Human resource planning is the process of analyzing and identifying the availability and the need for human resources so that the organization can meet its objectives. The focus of HR planning is to ensure that the organization has the right number of human resources, with the right capabilities, at the right times, and in the right places. In HR planning, an organization must consider the availability and allocation of people to jobs over long periods of time, not just for the next month or the next year<sup>1</sup>.

HRP is a sub system in the total organizational planning. Actions may include shifting employees to other jobs in the organization, laying off employees or otherwise cutting back the number of employees, developing



present employees, and/or increasing the number of employees in certain areas. Factors to consider include the current employees' knowledge, skills, and abilities and the expected vacancies resulting from retirements, promotions, transfers, and discharges. To do this, HR planning requires efforts by HR professionals working with executives and managers.

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## 2.6 Objectives of Human Resource Planning

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1. To ensure optimum utilization of human resources currently available in the organization.
2. To assess or forecast the future skill requirement of the organization.
3. To provide control measures to ensure that necessary resources are available as and when required.
4. A series of specified reasons are there that attaches importance to manpower planning and forecasting exercises. They are elaborated below:
  - To link manpower planning with the organizational planning
  - To determine recruitment levels.
  - To anticipate redundancies.
  - To determine optimum training levels.
  - To provide a basis for management development programs.
  - To cost the manpower.
  - To assist productivity bargaining.
  - To assess future accommodation requirement.
  - To study the cost of overheads and value of service functions.
  - To decide whether certain activity needs to be subcontracted, etc.

HRP exists as a part of planning process of business. This is the activity that aims to coordinate the requirements for the availability of the different types of employers. The major activities are the forecasting, (future requirements), inventorying (present strength), anticipating (comparison of present and future requirements) and planning (necessary program to meet the requirements).

The HR forecasts are responsible for estimating the number of people and the jobs needed by an organization to achieve its objectives and realize its plans in the most efficient and effective manner.

HR needs are computed by subtracting HR supplies or number of the employees available from expected HR demands or number of people required to produce a desired level of outcome. The objective of HR is to provide right personnel for the right work and optimum utilization of the existing human resources.

The objectives of human resource planning may be summarized as below:

- **Forecasting Human Resources Requirements:** HRP is essential to determine the future needs of HR in an organization. In the absence of this plan it is very difficult to provide the right kind of people at the right time.
- **Effective Management of Change:** Proper planning is required to cope with changes in the different aspects which affect the organization. These changes need continuation of allocation/reallocation and effective utilization of HR in organization.

- **Realizing the Organizational Goals:** In order to meet the expansion and other organizational activities the organizational HR planning is essential.
- **Promoting Employees:** HRP gives the feedback in the form of employee data which can be used in decision-making in promotional opportunities to be made available for the organization.
- **Effective Utilization of HR:** The data base will provide the useful information in identifying surplus and deficiency in human resources. The objective of HRP is to maintain and improve the organizational capacity to reach its goals by developing appropriate strategies that will result in the maximum contribution of HR.

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## 2.7 Need for HRP in Organizations

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Major reasons for the emphasis on HRP at the Macro level:

- 1) **Employment-Unemployment Situation:** Though in general the number of educated unemployment is on the rise, there is acute shortage for a variety of skills. This emphasizes on the need for more effective recruitment and employee retention.
- 2) **Technological Change:** The changes in production technologies, marketing methods and management techniques have been extensive and rapid. Their effect has been profound on the job contents and job contexts. These changes have caused problems relating to redundancies, retention and redeployment. All these suggest the need to plan manpower needs intensively and systematically.
- 3) **Demographic Change:** The changing profile of the work force in terms of age, sex, literacy, technical inputs and social background has implications for HRP.
- 4) **Skill Shortage:** Unemployment does not mean that the labour market is a buyer's market. Organizations generally become more complex and require a wide range of specialist skills that are rare and scarce. A problem arises in an organization when employees with such specialized skills leave.
- 5) **Governmental Influences:** Government control and changes in legislation with regard to affirmative action for disadvantaged groups, working conditions and hours of work, restrictions on women and child employment, casual and contract labour, etc. have stimulated the organizations to become involved in systematic HRP.
- 6) **Legislative Control:** The policies of "hire and fire" have gone. Now the legislation makes it difficult to reduce the size of an organization quickly and cheaply. It is easy to increase but difficult to shed the fat in terms of the numbers employed because of recent changes in labour law relating to lay-offs and closures. Those responsible for managing manpower must look far ahead and thus attempt to foresee manpower problems.
- 7) **Impact of the Pressure Group:** Pressure groups such as unions, politicians and persons displaced from land by location of giant enterprises have been raising contradictory pressure on enterprise management such as internal recruitment and promotion, preference to employees' children, displace person, sons of soil etc.
- 8) **Systems Approach:** The spread of system thinking and advent of the macro computer as the part of the on-going revolution in information technology which emphasis planning and newer ways of handling voluminous personnel records.

- 9) **Lead Time:** The log lead time is necessary in the selection process and training and deployment of the employee to handle new knowledge and skills successfully.

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## 2.8 Importance of HRP

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HRP is the subsystem in the total organizational planning. Organizational planning includes managerial activities that set the company's objective for the future and determines the appropriate means for achieving those objectives. The importance of HRP is elaborated on the basis of the key roles that it is playing in the organization.

1. **Future Personnel Needs:** Human resource planning is significant because it helps to determine the future personnel needs of the organization. If an organization is facing the problem of either surplus or deficiency in staff strength, then it is the result of the absence of effecting HR planning. All public sector enterprises find themselves overstaffed now as they never had any planning for personnel requirement and went of recruitment spree till late 1980's. The problem of excess staff has become such a prominent problem that many private sector units are resorting to VRS 'voluntary retirement scheme'. The excess of labor problem would have been there if the organization had good HRP system. Effective HRP system will also enable the organization to have good succession planning.
2. **Part of Strategic Planning:** HRP has become an integral part of strategic planning of strategic planning. HRP provides inputs in strategy formulation process in terms of deciding whether the organization has got the right kind of human resources to carry out the given strategy. HRP is also necessary during the implementation stage in the form of deciding to make resource allocation decisions related to organization structure, process and human resources. In some organizations HRP play as significant role as strategic planning and HR issues are perceived as inherent in business management.
3. **Creating Highly Talented Personnel:** Even though India has a great pool of educated unemployed, it is the discretion of HR manager that will enable the company to recruit the right person with right skills to the organization. Even the existing staff hope the job so frequently that organization face frequent shortage of manpower. Manpower planning in the form of skill development is required to help the organization in dealing with this problem of skilled manpower shortage
4. **International Strategies:** An international expansion strategy of an organization is facilitated to a great extent by HR planning. The HR department's ability to fill key jobs with foreign nationals and reassignment of employees from within or across national borders is a major challenge that is being faced by international business. With the growing trend towards global operation, the need for HRP will as well will be the need to integrate HRP more closely with the organizations strategic plans. Without effective HRP and subsequent attention to employee recruitment, selection, placement, development, and career planning, the growing competition for foreign executives may lead to expensive and strategically descriptive turnover among key decision makers.
5. **Foundation for Personnel Functions:** HRP provides essential information for designing and implementing personnel functions, such as recruitment, selection, training and development, personnel movement like transfers, promotions and layoffs.
6. **Increasing Investments in Human Resources:** Organizations are making increasing investments in human resource development compelling the increased need for HRP. Organizations are realizing

that human assets can increase in value more than the physical assets. An employee who gradually develops his/ her skills and abilities become a valuable asset for the organization. Organizations can make investments in its personnel either through direct training or job assignment and the rupee value of such a trained, flexible, motivated productive workforce is difficult to determine. Top officials have started acknowledging that quality of work force is responsible for both short term and long term performance of the organization.

7. **Resistance to Change:** Employees are always reluctant whenever they hear about change and even about job rotation. Organizations cannot shift one employee from one department to another without any specific planning. Even for carrying out job rotation (shifting one employee from one department to another) there is a need to plan well ahead and match the skills required and existing skills of the employees.
8. **Uniting the Viewpoint of Line and Staff Managers:** HRP helps to unite the viewpoints of line and staff managers. Though HRP is initiated and executed by the corporate staff, it requires the input and cooperation of all managers within an organization. Each department manager knows about the issues faced by his department more than anyone else. So communication between HR staff and line managers is essential for the success of HR Planning and development.
9. **Succession Planning:** Human Resource Planning prepares people for future challenges. The 'stars' are picked up, trained, assessed and assisted continuously so that when the time comes such trained employees can quickly take the responsibilities and position of their boss or seniors as and when situation arrives.
10. **Other Benefits:** (a) HRP helps in judging the effectiveness of manpower policies and programmes of management. (b) It develops awareness on effective utilization of human resources for the overall development of organization. (c) It facilitates selection and training of employees with adequate knowledge, experience and aptitudes so as to carry on and achieve the organizational objectives (d) HRP encourages the company to review and modify its human resource policies and practices and to examine the way of utilizing the human resources for better utilization.

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## 2.9 Factors Affecting HRP

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HRP is influenced by several factors. The most important of the factors that affect HRP are (1) type and strategy of organization (2) organizational growth cycles and planning (3) environmental uncertainties (4) time horizons (5) type and quality of forecasting information (4) nature of jobs being filled and (5) off loading the work.

**1. Type and Strategy of the Organization:** Type of the organization determines the production processes involve, number and type of staff needed and the supervisory and managerial personnel required. HR need is also defined by the strategic plan of organization. If the organization has a plan for organic growth then organization need to hire additional employees. On the other hand If the organization is going for mergers and acquisition, then organization need to plan for layoffs, as mergers can create, duplicate or overlap positions that can be handled more efficiently with fewer employees.

Organization first decides whether to be reactive or proactive in HRP. Organizations either carefully anticipate the needs and systematically plan to fill the need in advance (proactive) or can simply react to the needs as they arise (reactive). Likewise, the organization must determine the width of the HR plan. Organization can choose a narrow focus by planning in only one or two HR areas like recruitment and selection or can have a broad perspective by planning in all areas including training and remuneration.

The nature of HR plan is also decided upon the formality of the plan. It can decide to have an informal plan that lies mostly in the minds of the managers and personnel staff or can have a formal plan which is properly documented in writing

The nature of HR plan is also depended upon the flexibility that is practiced in the organization. HR plan should have the ability to anticipate and deal with contingencies. Organizations frame HRP in such a way that it can contain many contingencies, which reflect different scenarios thereby assuring that the plan is flexible and adaptable.



**Figure 2.1 : Factors Affecting HRP.**

Figure 2.1 summarizes the five factors that influence an organization while framing its strategic HRP.

**2. Organizational Growth Cycles and Planning:** All organizations pass through different stages of growth from the day of its inception. The stage of growth in which an organization is determines the nature and extends of HRP. Small organizations in the earlier stages of growth may not have well defined personnel planning. But as the organization enters the growth stage they feel the need to plan its human resource. At this stage organization gives emphasis upon employee development. But as the organization reaches the mature stage it experience less flexibility and variability resulting in low growth rate. HR planning becomes more formalized and less flexible and less innovative and problem like retirement and possible retrenchment dominate planning.

During the declining stage of the organization HRP takes a different focus like planning to do the layoff, retrenchment and retirement. In declining situation planning always becomes reactive in nature towards the financial and sales distress faced by the company.

**3. Environmental Uncertainties:** Political, social and economic changes affect all organizations and the fluctuations that are happening in these environments affect organizations drastically. Personnel planners deal with such environmental uncertainties by carefully formulating recruitment, selection, training and

development policies and programmes. The balance in the organization is achieved through careful succession planning, promotion channels, layoffs, flexi time, job sharing, retirement, VRS and other personnel related arrangements.

**4. Time Horizons:** HR plans can be short term or long term. Short term plans spans from six months to one year, while long term plans spread over three to twenty years. The extent of time period depends upon the degree of uncertainty that is prevailing in an organizations environment. Greater the uncertainty, shorter the plan time horizon and vice versa.

**Table 2.1 : Degree of Uncertainty and Length of Planning Period**

Short Planning period- uncertainty/ instability	Long planning period- certainty/ stability
Many new competitors Rapid changes in social and economic conditions	Strong competitive position Evolutionary, rather than rapid social, political and technological change
Unstable product/ service demand patterns Small organizational size, poor management practices (crisis Management)	Stable demand patterns Strong management practices.

Source: Elmer H. Burack and Nicholas J. Mathis, *Human Resource Planning- A Pragmatic approach to manpower Staffing and development*, Illinois, Brace- Park Press, 1987, p. 129.

**5. Type and Quality of information:** The information used to forecast personnel needs originates from a multitude of sources. The forecast depends to a large extent upon the type of information and the quality of data that is available to personnel planners. The quality and accuracy of information depend upon the clarity with which the organizational decision makers have defined their strategy, structure, budgets, production schedule and so on.

**Table 2.2 : Levels of HRP Information**

Strategic Information	General Organizational Information	Specific Information Necessary for HRP
Product mix Customer mix	Organizational structure Information flows	Job analysis Skills inventories
Competitive emphasis	Operating and capital budgets Functional area objectives	Management inventories
Geographic limits of market	Production schedules Distribution channels	Available training and development programmes
	Sales territories Production processes	Recruitment sources
	Level of technology Planning horizons	Labour market analysis Compensation programmes Constitutional provisions and labour laws
		Retirement plans Turnover data.

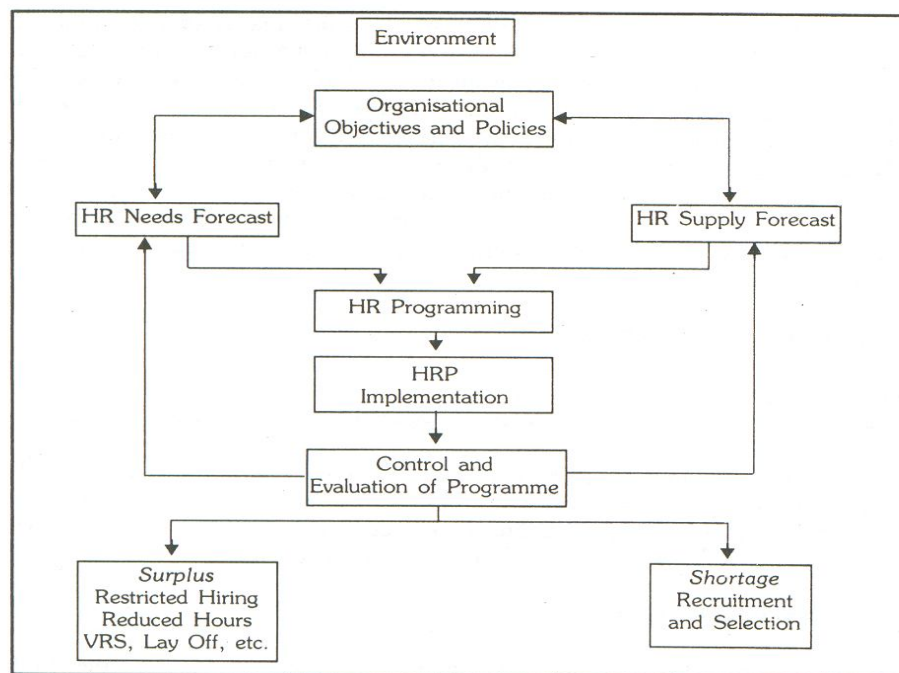
Source: Leap& Crino, *Personnel/ Human Resource Management*, p. 161.

**6. Nature of Jobs Being Filled:** Personnel planners need to be really careful with respect to the nature of the jobs being filled in the organization. Employees belonging to lower level who need very limited skills can be recruited hastily but, while hiring employees for higher posts, selection and recruitment need to be carried out with high discretion. Organization need to anticipate vacancies far in advance as possible, to provide sufficient time to recruit suitable candidate.

**7. Outsourcing:** Several organizations outsource part of their work to outside parties in the form of subcontract. Outsourcing is a regular feature both in the public sector as well as in the private sector companies. Many of the organizations have surplus labour and hence instead of hiring more people they go for outsourcing. Outsourcing is usually done for non critical activities. Outsourcing of non- critical activities through subcontracting determines HRP.

## 2.10 HRP Process

HRP effectively involves forecasting personnel needs, assessing personnel supply and matching demand– supply factors through personnel related programmes. The HR planning process is influenced by overall organizational objectives and environment of business.



**Figure 2.2 : The HRP Process**

### Environmental Scanning:

It refers to the systematic monitoring of the external forces influencing the organization. The following forces are essential for pertinent HRP.

- Economic factors, including general and regional conditions.
- Technological changes
- Demographic changes including age, composition and literacy,
- Political and legislative issues, including laws and administrative rulings
- Social concerns, including child care, educational facilities and priorities.

By scanning the environment for changes that will affect an organization, managers can anticipate their impact and make adjustments early.

**Organizational Objectives and Policies:** HR plan is usually derived from the organizational objectives. Specific requirements in terms of number and characteristics of employees should be derived from organizational objectives

Once the organizational objectives are specified, communicated and understood by all concerned, the HR department must specify its objective with regard to HR utilization in the organization.

## **HR Demand Forecast:**

Demand forecasting is the process of estimating the future quantity and quality of people required to meet the future needs of the organization. Annual budget and long-term corporate plan when translated into activity into activity form the basis for HR forecast.

For eg: in the case of a manufacturing company, the sales budget will form the basis for production plan giving the number and type of products to be produced in each period. This will form the basis upon which the organization will decide the number of hours to be worked by each skilled category of workers. Once the number hours required is available organization can determine the quality and quantity of personnel required for the task.

Demand forecasting is influenced by both internal factors and external factors: external factors include-competition, economic climate, laws and regulatory bodies, changes in technology and social factors whereas internal factors are budget constraints, production level, new products and services, organizational structure and employee separations.

Demand forecasting is essential because it helps the organization to 1. Quantify the jobs, necessary for producing a given number of goods, 2. To determine the nature of staff mix required in the future, 3. To assess appropriate levels in different parts of organization so as to avoid unnecessary costs to the organization, 4. To prevent shortages of personnel where and when, they are needed by the organization. 5. To monitor compliances with legal requirements with regard to reservation of jobs.

Techniques like managerial judgment, ratio- trend analysis, regression analysis, work study techniques, Delphi techniques are some of the major methods used by the organization for demand forecasting.

## **HR Supply Forecast:**

Supply forecast determines whether the HR department will be able to procure the required number of workers. Supply forecast measures the number of people likely to be available from within and outside an organization, after making allowance for absenteeism, internal movements and promotions, wastage and changes in hours, and other conditions of work.

Supply forecast is required because it is needed as it 1. Helps to quantify the number of people and positions expected to be available in future to help the organization realize its plans and meet its objectives 2. Helps to clarify the staff mixes that will arise in future 3. It assesses existing staffing in different parts of the organization. 4. It will enable the organization to prevent shortage of people where and when they are most needed. 5. It also helps to monitor future compliance with legal requirements of job reservations.

Supply analysis covers the existing human resources, internal sources of supply and external sources of supply.

## **HR Programming:**

Once an organization's personnel demand and supply are forecasted the demand and supply need to be balanced in order that the vacancies can be filled by the right employees at the right time.

## **HR Plan Implementation:**

HR implementation requires converting an HR plan into action. A series of action are initiated as a part of HR plan implementation. Programmes such as recruitment, selection and placement, training and development, retraining and redeployment, retention plan, succession plan etc when clubbed together form the implementation part of the HR plan.



## **Control and Evaluation:**

Control and evaluation represent the final phase of the HRP process. All HR plan include budgets, targets and standards. The achievement of the organization will be evaluated and monitored against the plan. During this final phase organization will be evaluating on the number of people employed against the established (both those who are in the post and those who are in pipe line) and on the number recruited against the recruitment targets. Evaluation is also done with respect to employment cost against the budget and wastage accrued so that corrective action can be taken in future.

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### **2.11 Requisites for Successful HRP**

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1. HRP must be recognized as an integral part of corporate planning
2. Support of top management is essential
3. There should be some centralization with respect to HRP responsibilities in order to have co-ordination between different levels of management.
4. Organization records must be complete, up to date and readily available.
5. Techniques used for HR planning should be those best suited to the data available and degree of accuracy required.
6. Data collection, analysis, techniques of planning and the plan themselves need to be constantly revised and improved in the light of experience.

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### **2.12 Barriers to HRP**

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Human Resource Planners face significant barriers while formulating an HRP. The major barriers are elaborated below:

- 1) HR practitioners are perceived as experts in handling personnel matters, but are not experts in managing business. The personnel plan conceived and formulated by the HR practitioners when enmeshed with organizational plan, might make the overall strategic plan of the organization ineffective.
- 2) HR information often is incompatible with other information used in strategy formulation. Strategic planning efforts have long been oriented towards financial forecasting, often to the exclusion of other types of information. Financial forecasting takes precedence over HRP.
- 4) Conflict may exist between short term and long term HR needs. For example, there can be a conflict between the pressure to get the work done on time and long term needs, such as preparing people for assuming greater responsibilities. Many managers are of the belief that HR needs can be met immediately because skills are available on the market as long as wages and salaries are competitive. Therefore, long times plans are not required, short planning are only needed.
- 5) There is conflict between quantitative and qualitative approaches to HRP. Some people view HRP as a number game designed to track the flow of people across the department. Others take a qualitative approach and focus on individual employee concerns such as promotion and career development. Best result can be achieved if there is a balance between the quantitative and qualitative approaches.
- 6) Non-involvement of operating managers renders HRP ineffective. HRP is not strictly an HR department function. Successful planning needs a co-ordinated effort on the part of operating managers and HR personnel.

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## 2.13 Summary

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Today, human resource planning is viewed as the way management comes to grasp the ill-defined and tough-to-solve human resource problems facing an organization. Human resource planning is the process of determining the human resources required by the organization to achieve its goals. Human resource planning also looks at broader issues relating to the ways in which people are employed and developed, in order to improve organizational effectiveness. HRP is a decision making process that combines activities such as identifying and acquiring the right number of people with the proper skills, motivating them to achieve high performance and creating interactive links between business objectives and resource planning activities. HRP sets out requirements in both quantitative and qualitative terms. Accurate manpower plan is a dream. A common error of many managers is to focus on the organization's short term replacement needs. Any human resource plan, if it is to be effective, must be derived from the long term plans and strategies of the organization. The various approaches to human resource planning under which a number of major issues and trends in today's work plan that will affect organization and employees are (1) Examine external and internal issues, (2) Determining future organizations capabilities, (3) Determining future organizational needs, and (4) Implementing human resources programmes to address anticipated problems. Although change is occurring very rapidly in the work world it is important for both organizations and employees to monitor issues and events continuously and consider their potential effects.

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## 2.14 Self Assessment Questions

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1. Explain the role of HR professional in human resource planning process in organizations.
2. Describe the various forecasting techniques and how these techniques are being used in human resource planning.
3. Explain the barriers to HRP. Bring out the requisites for effective planning.

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## Unit - 3 : Job Analysis and Job Design

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### Structure of Unit:

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Job Analysis Defined
- 3.3 Uses of Job Analysis
- 3.4 Steps in Job Analysis
- 3.5 Methods for Collecting Job Analysis Data
- 3.6 Job Description
- 3.7 Writing Job Description
- 3.8 Job Specification
- 3.9 Job Design
- 3.10 Methods of Job Design
- 3.11 Summary
- 3.12 Self Assessment Questions
- 3.13 Reference Books

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### 3.0 Objectives

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After completing this unit, you will be able to:

- Define job analysis.
- Understand the basic steps in a Job analysis.
- Identify the major methods of collecting Job analysis data.
- Recognize the major elements of job descriptions
- Explain how to prepare job descriptions and job specification and their use.
- Point out and explain job design and its various methods
- Distinguish between job enlargement and job enrichment.

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### 3.1 Introduction

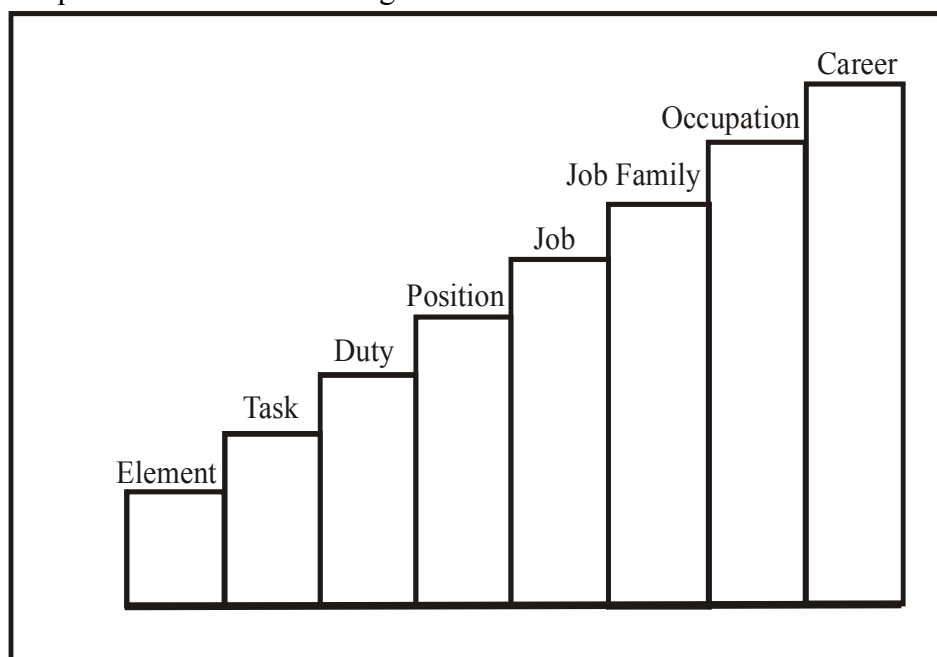
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Manpower planning is concerned with determination of quantitative and qualitative requirements of manpower for the organization. Determination of manpower requirements is one of the most important problems in manpower planning. Job analysis and job design, provide this knowledge. Before going through the mechanism of job analysis and job design, it is relevant to understand the terms which are used in job analysis and job design.

**Job:** A job may be defined as a “collection or aggregation of tasks, duties and responsibilities which as a whole, are regarded as a regular assignment to individual employees,” and which is different from other assignments, In other words, when the total work to be done is divided and grouped into packages, we call it a “job.” Each job has a definite title based upon standardized trade specifications within a job; two or more grades may be identified, where the work assignment may be graded according to skill, the difficulty of doing them, or the quality of workmanship. Thus, it may be noted that a position is a “collection o tasks and responsibilities regularly assigned to one person;” while a job is a “group of position, which involve essentially the same duties, responsibilities, skill and knowledge.” A position consists of a particular set of duties assigned to an individual.

Decenzo and P. Robbins define other terms as follows:

- Task:** It is a distinct work activity carried out for a distinct purpose.
- Duty:** It is a number of tasks.
- Position:** It refers to one or more duties performed by one person in an organization, There are at least as many positions as there are workers in the organization; vacancies may create more positions than employees.
- Job:** It is a type of position within the organization.
- Job Family:** It is group of two or more jobs that either call for similar worker characteristics or contain parallel work tasks as determined by job analysis.
- Occupation:** It is a group of similar jobs found across organizations.
- Career:** It represents a sequence of positions, jobs, or occupations that a person has over his working life.



**Figure 3.1: Job Analysis Information Hierarchy**  
(Adapted from Decenzo and P. Robbins, *Personnel/Human Resource Management*)

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## 3.2 Job Analysis Defined

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Developing an organizational structure, results in jobs which have to be staffed. Job analysis is the procedure through which you determine the duties and nature of the jobs and the kinds of people (in terms of skills and experience) who should be hired for them.' It provides you with data on job requirements, which are then used for developing job descriptions (what the job entails) and job specifications (what kind of people to hire for the job). Some of the definitions of job analysis are given as follows, to understand the meaning of the term more clearly:

**According to Michael L. Jucius,** "Job analysis refers to the process of studying the operations, duties and organizational aspects of jobs in order to derive specifications or as they called by some, job descriptions."

**According to DeCenzo and P. Robbins,** "A job analysis is a systematic exploration of the activities within a job. It is a basic technical procedure, one that is used to define the duties, responsibilities, and accountabilities of a job."

**According to Herbert G Herman** “A job is a collection of tasks that can be performed by a single employee to contribute to the production of some product or service provided by the organization. Each job has certain ability requirements (as well as certain rewards) associated with it. Job analysis process used to identify these requirements.”

**Flippo has offered a more comprehensive definition of job analysis as,** “Job analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job. The immediate products of the analysis are job descriptions and job specifications”

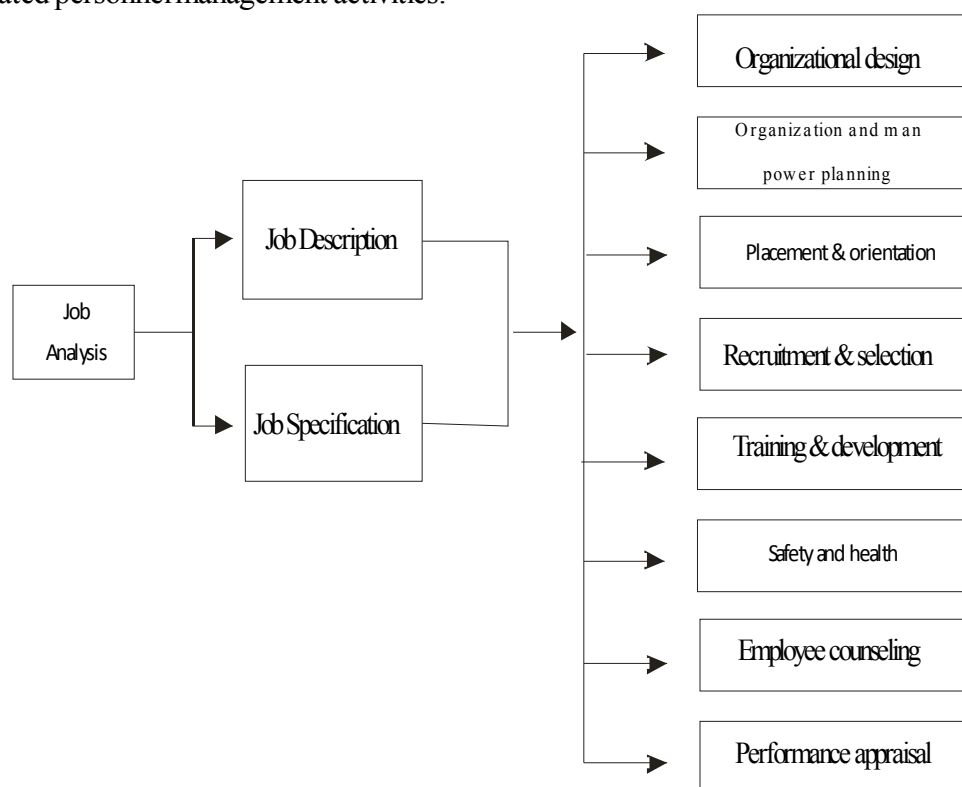
Thus, job analysis involves the process of identifying the nature of a job (job description) and the qualities of the likely job holder (job specification).

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### 3.3 Uses of Job Analysis

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As summarized in Figure 3.2 the information generated by the job analysis is used as a basis of several interrelated personnel management activities:



**Figure 3.2 : Uses of Job Analysis**

**1. Achievement of Goals:** Weather and Davis have stated, “Jobs are at the core of every organization’s productivity, if they are designed well and done right, the organization makes progress towards its objectives. Otherwise, productivity suffers, profits fall, and the organization is less able to meet the demands of society, customer, employees, and other with a stake in its success.”

**2. Organizational Design:** Job analysis will be useful in classifying the jobs and the interrelationships among the jobs. On the basis of information obtained through job analysis, sound decisions regarding hierarchical positions and functional differentiation can be taken and this will improve operational efficiency.

**3. Organization and Manpower Planning:** It is helpful in organization planning, for it defines labour in concrete terms and co-ordinates the activities of the work force, and clearly divides duties and responsibilities.

**4. Recruitment and Selection:** Job analysis provides you with information on what the job entails and what human requirements are required to carry out these activities. This information is the basis on which you decide what sort of people to recruit and hire.

**5. Placement and Orientation:** Job analysis helps in matching the job requirements with the abilities, interests and aptitudes of people. Jobs will be assigned to persons on the basis of suitability for the job. The orientation programme will help the employee in learning the activities and understanding duties that are required to perform a given job more effectively.

**6. Employee Training and Management Development:** Job analysis provides the necessary information to the management of training and development programmes. It helps in to determine the content and subject matter of in training courses. It also helps in checking application information, interviewing test results and in checking references.

**7. Job Evaluation and Compensation:** Job evaluation is the process of determining the relative worth of different jobs in an organization with a view to link compensation, both basic and supplementary, with the worth of the jobs. The worth of a job is determined on the basis of job characteristics and job holder characteristics. Job analysis provides both in the forms of job description and job specification.

**8. Performance Appraisal:** Performance appraisal involves comparing each employee's actual performance with his or her desired performance. Through job analysis industrial engineers and other experts determine standards to be achieved and specific activities to be performed.

**9. Health and Safety:** It provides an opportunity for identifying hazardous conditions and unhealthy environmental factors so that corrective measures may be taken to minimize and avoid the possibility of accidents.

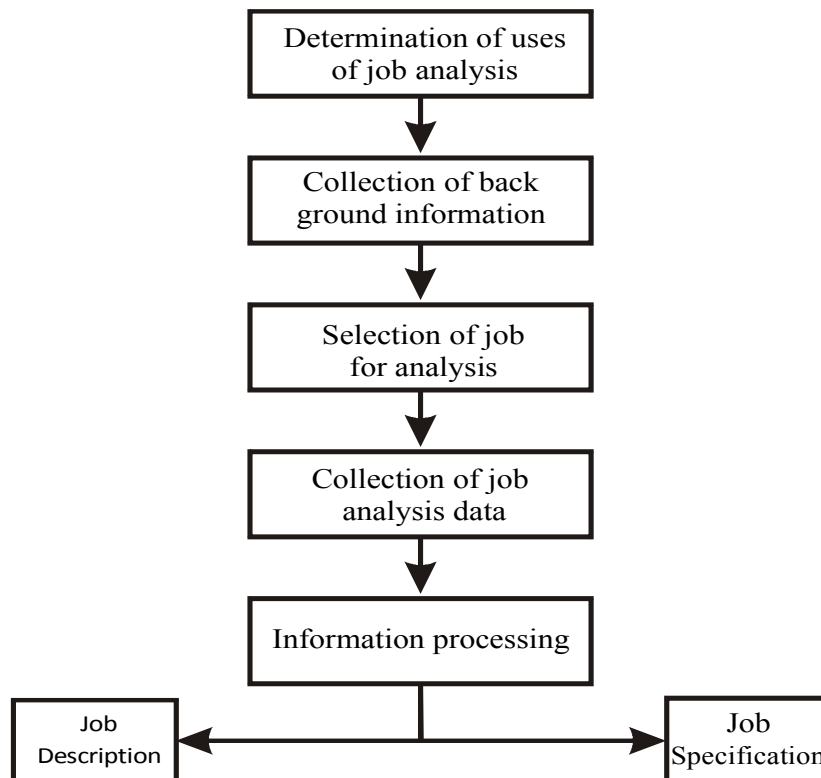
**10. Employee Counselling:** Job analysis provides information about career choices and personal limitation. Such information is helpful in vocational guidance and rehabilitation counselling. Employees who are unable to cope with the hazards and demands of given jobs may be advised to opt for subsidiary jobs or to seek premature retirement.

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### 3.4 Steps in Job Analysis

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The six steps of job analysis are shown in figure 3.3:



**Figure 3.3 : Job Analysis Process**

**1. Determine the Use of the Job Analysis Information:** Start by identifying the use to which the information will be put, since this will determine the type of data you collect and the technique you use to collect them.

**2. Collection of Background Information:** According to Terry, “The make-up of a job, its relation to other jobs, and its requirements for competent performance are essential information needed for a job evaluation. This information can be had by reviewing available background information such as organization charts (which show how the job in question relates to other jobs and where they fit into the overall organization); class specifications (which describe the general requirements of the class of job to which the job under analysis belongs); and the existing job descriptions which provide a starting point from which to build the revised job description”.

**3. Selection of Jobs for Analysis:** To do job analysis is a costly and time consuming process. It is hence, necessary to select a representative sample of jobs for purposes of analysis. Priorities of various jobs can also be determined. A job may be selected because it has undergone undocumented changes in job content. The request for analysis of a job may originate with the employee, supervisor, or a manager.

When the employee requests an analysis it is usually because new job demands have not been reflected in changes in wages. Employee's salaries are, in part, based upon the nature of the work that they perform. Some organizations establish a *time cycle for the analysis of each job*. For example: A job analysis may be required for all jobs every three years. New jobs must also be subjected to analysis.

**4. Collection of Job Analysis Data:** Job data on features of the job, required employee qualification and requirements, should be collected either from the employees who actually perform a job; or from other employees (such as foremen or supervisors) who watch the workers doing a job and thereby acquire knowledge about it; or from the outside persons, known as the trade job analysis who are appointed to watch employees performing a job. The duties of such a trade job analyst are (i) to outline the complete scope of a job and to consider all the physical and mental activities involved in determining what the worker does.; (ii) find out why a worker does a job; and for this purpose he studies why each task is essential for the overall result; and (iii) the skill factor which may be needed in the worker to differentiate between jobs and establish the extent of the difficulty of any job.

**5. Processing the Information:** Once job analysis information has been collected, the next step is to place it in a form that will make it useful to those charged with the various personnel functions. Several issues arise with respect to this. First, how much detail is needed? Second, can the job analysis information be expressed in quantitative terms? These must be considered properly.

**6. Preparing Job Descriptions and Job Classifications:** Job information which has been collected must be processed to prepare the job description form. It is a statement showing full details of the activities of the job. Separate job description forms may be used for various activities in the job and may be compiled later on. The job analysis is made with the help of these description forms. These forms may be used as reference for the future.

**7. Developing Job Specifications:** Job specifications are also prepared on the basis of information collected. It is a statement of minimum acceptable qualities of the person to be placed on the job. It specifies the standard by which the qualities of the person are measured. Job analyst prepares such statement taking into consideration the skills required in performing the job properly. Such statement is used in selecting a person matching with the job.

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### 3.5 Methods for Collecting Job Analysis Data

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As discussed earlier, information is to be collected for job analysis. Such information may be collected by the trained job analysis, superiors concerned and job holders themselves. Job information is collected through the following methods:

**1. Participant Diary/Logs:** Workers can be to keep participant diary/long or lists of things they do during the day. For every activity he or she engages in, the employee records the activity (along with the time) in a log. This can provide you with a very comprehensive picture of the job, especially when it's supplemented with subsequent interviews with the worker and his or her supervisor. This method provides more accurate information if done faithfully. However, it is quite time consuming. Further, each jobholder may maintain records according to his own way which presents problems in analysis at later stage. Therefore, it has limited application.

**2. Interview:** There are three types of interviews you can use to collect job analysis data: individual interviews with each employee; group interviews with groups of employees having the same job; and supervisor interviews with one or more supervisors who are thoroughly knowledgeable about the job being analyzed. The group interview is used when a large number of employees are performing similar or identical work, since this can be a quick and inexpensive way of learning about the job. As a rule, the worker's immediate supervisor would attend the group session; if not, you should interview the supervisor separately to get that person's perspective on the duties and responsibilities of the job.

**3. Critical Incidents:** In this method, job holders are asked to describe incidents concerning the job on the basis of their past experience. The incidents so collected are analyzed and classified according to the job areas they describe. A fairly picture of actual job requirements can be obtained by distinguishing between effective and ineffective behaviors of workers on the job. However, this method is time consuming. The analyst requires a high degree of skill to analyze the contents of descriptions given by workers.

**4. Technical Conference Method:** This method utilizes supervisors with extensive knowledge of the job. Here, specific characteristics of a job are obtained from the "experts." Although it is a good data gathering method, it often overlooks the incumbent worker's perception about what they do on their job.

**5. Job Performance:** Under this method, the job analyst actually performs the job under study to get first-hand experience of the actual tasks, and physical and social demands of the job. This method can be used only for jobs where skill requirements are low and can be learnt quickly and easily. This is a time-consuming method and is not appropriate for jobs requiring extensive training.

**6. Functional Job Analysis:** Functional job analysis (FJA) is employee- oriented analytical approach of job analysis. This approach attempts to describe the whole person on the job. The main features of FJA include the following:

- The extent to which specific instruction are necessary to perform the task
- The extent to which reasoning and judgment are required to perform the task
- The mathematical ability required to perform the task and
- The verbal and language facilities required to perform the task.

**7. Observation Method:** Using this method, a job analyst watches employees directly on the job. Observations are made on various tasks, activities, the pace at which tasks are carried out, and the way different activities are performed. This method is suitable for jobs that involve manual, standardized, and short job cycle activities. This method also requires that the entire range of activities be observable; possible with some jobs.



**8. Questionnaires:** The method is usually employed by engineering consultants. Properly drafted questionnaires are sent out to job-holders for completion and are returned to supervisors. However, the information received is often unorganized and incoherent. The idea in issuing questionnaire is to elicit the necessary information from job –holders so that any error may first be discussed with the employee and, after corrections, may be submitted to the job analyst.

Questionnaire for Job Analysis	
1.	Your Name .....
2.	Title or Designation of your job .....
3.	Regular or Extra .....
4.	Your Department .....
5.	To whom do you report directly (Name and Title): .....
6.	Description of work: (a) Daily Duties: (b) Periodical Duties: (c) Occasional Duties:
7.	Your knowledge Requirements: (A) Store Procedure and Methods: (B) Merchandise:
8.	What Equipment do you use?
9.	What Materials do you work with or sell?
10.	If you supervise the work of others, state how many and what their jobs are.
11.	To what job would you normally expect to be promoted?
12.	From what job were you transferred to your present job?

This technique is time consuming and generally does not yield satisfactory results because many employees do not complete the questionnaire or furnish incorrect information because of their own limitations. The use of questionnaire is recommended only in case of those technical jobs where the job contents are not completely known to the supervisor or the operation is too complex to observe.

There are certain standardized questionnaires developed by a few agencies which are used by various organizations for job analysis. Most of these questionnaires are of two types: position analysis questionnaire and management position description questionnaire that are described as follows:

**a. Position Analysis Questionnaire.** Position analysis questionnaire (PAQ) is a highly specialized instrument for analyzing a job in terms of employee activities. The PAQ developed by Purdue University is a comprehensive questionnaire for collecting information for job analysis.

In this questionnaire, various job elements have been grouped into six categories with each category containing relevant job elements resulting into 195 elements as shown in Table 3.1.

**Table 3.1 : Position Analysis Questionnaire**

<b>Job Aspects</b>	<b>No. of elements</b>
Information input - Where and how do employee get information to do their job?	35
Mental processes- what reasoning, planning, organizing, and decision making is done?	14
Work output – what physical activities, tools and machines are used?	49
Relationships – what contact with other people, both in the company and outside is maintained or developed?	36
Job context- what is the physical and social context in which the job is maintained?	19
Other job characteristics – what other activities, conditions or Characteristics not covered by the categories are relevant?	42

The advantage of PAQ is that it provides a quantitative score or profile of any job in terms of how that job rates on the basic activities. The PAQ's real strength is, thus, in classifying jobs. PAQ's results can be used to compare the jobs relative to one another and pay levels can be assigned for each job.

The major problem with PAQ is the time it takes for a job analyst to fill out the ratings. However, PAQ has been widely researched and tested and appears to be both reliable and valid.

**b. Management Position Description Questionnaire:** Management position description is a highly structured questionnaire containing 208 items relating to managerial responsibilities, restrictions, demands and other miscellaneous position characteristics. W.W. Tomov and P.R. Pinto have developed the following Management position Description factors:

- Product, marketing and financial strategy planning.
- Coordination of other organization units and personnel
- Internal business Control
- Products and services responsibility
- Public and customer relations
- Advanced consulting
- Autonomy of actions
- Approval of financial commitments
- Staff Service
- Supervision
- Complexity and stress
- Advanced financial responsibility
- Broad personnel responsibility

The above methods are the most popular ones for gathering job analysis data. They all provide realistic information about what job incumbents actually do. They can thus be used for developing job descriptions and job specifications. Carroll L. Shartle, Otis and Lenhert have provided the following suggestions for making the job analyst's task simple.

- Introduce yourself so that the worker knows who you are and why you are there.
- Show a sincere interest in the worker and the job that is analyzed;
- Do not try to tell the employee how to do his job.
- Try to talk to the employee and supervisors in their own language;
- Do a complete job study within the objectives of the programmer: and
- Verify the job information obtained.

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### 3.6 Job Description

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Job description is the immediate product of job analysis process; the data collected through job analysis provides a basis for job description and job specification.

**Job Description:** is a written record of the duties, responsibilities and requirements of a particular job. It is concerned with the job itself and not with the job holders. It is a statement describing the job in such terms as its title, location, duties, working conditions and hazards.

**Flippo has Defined Job Description as,** “A job description is an organized, factual statement of duties and responsibilities of a specific job. In brief, it should tell what is to be done. How it is done why. It is a standard of function, in that defines the appropriate and authorized content of a job.

**According to Pigors and Myres,** “Job description is a pertinent picture (in writing) of the organizational relationships, responsibilities and specific duties that constitutes a given job or position. It defines a scope of responsibility and continuing work assignments that are sufficiently different from that of other jobs to warrant a specific title.”

**According to Zerga,** who analyzed 401 articles on job description about 30 years ago. A job description helps us in:

- (i) Job grading and classification
- (ii) Transfers and promotions.
- (iii) Adjustments of grievances;
- (iv) Defining and outlining promotional steps;
- (v) Establishing a common understanding of a job between employers and employees;
- (vi) Investigation accidents ;
- (vii) Indicating faulty work procedures or duplication of papers;
- (viii) Maintaining, operating and adjusting machinery;
- (ix) Time and motion studies;
- (x) Defining the limits of authority;
- (xi) Indicating case of personal merit;
- (xii) Studies of health and fatigue;
- (xiii) Scientific guidance;
- (xiv) Determining jobs suitable for occupational therapy;
- (xv) Providing hiring specifications; and
- (xvi) Providing performance indicators.

“Job description” is different from “performance assessment.” The former concerns such functions as planning, co-ordination, and assigning responsibility; while the latter concerns the quality of performance itself. Though job description is not assessment, it provides an important basis establishing assessment standards and objectives.

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### 3.7 Writing Job Description

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A Job description is a written statement of what the job holder actually does, how he or she does it, and under what conditions the job is performed. This information is in turn used to write a job specification. This lists the knowledge, abilities, and skills needed to perform the job satisfactorily. While there is no standard format you must use in writing a job description, most descriptions contain at least sections on:

**1. Job Identification:** It includes the job title, alternative title, department, division, and plant and code number of the job. The job title identifies and designates the job properly, the department, division, etc., indicate the name of the department where it is situated – whether it is the maintenance department, mechanical shop etc. Location gives the name of the place. This portion of job description gives answer to two important questions: to what higher level job is this job accountable. And who is supervised directly?

**2. Job Summary:** Job summary describes the contents of the jobs in terms of activities or tasks performed. Job summary should clear the nature of the job. Primary, secondary and other duties to be performed on the job should clearly be indicated separately.

**3. Duties and Responsibilities:** This is the most important phase of job description and should be prepared very carefully. It describes the duties to be performed along with frequency of each major duty. Responsibilities concerning custody of money, supervision and training of staff etc. are also described in this part.

#### Example of a Job Description

<b>Job Title:</b> Record Clerk	<b>Job No.</b> 011
<b>Supervisor:</b> Record Supervisor	<b>Job Grand</b> –III
<b>Supervises:</b> None	<b>Date:</b> 2/21/12
<b>Job Summary:</b> Originate, process, and maintain comprehensive records; implement required controls; collect and summarize data as requested.	
<b>Job Duties and Responsibilities :</b>	
<ul style="list-style-type: none"><li>• Review a variety of documents, listings, summarizes, etc, for completeness and accuracy.</li><li>• Check records against other current sources such as reports or summaries; investigate differences and take required action to ensure that records are accurate and up to date; compile and summarize data report format as required.</li><li>• Implement controls or obtaining, preserving, and supplying a variety of information. Prepare simple requisitions, forms, and other routine memoranda.</li><li>• Provide functional guidance to lower-level personnel as required.</li></ul>	
<b>Working Conditions:</b> Normal working conditions. But visits sites on average twice a week. Eight hours per day	
<b>Relationships:</b>	
<ul style="list-style-type: none"><li>• With equivalent officers in other departments.</li><li>• Maintains formal and social contacts with local officials.</li></ul>	
<b>Job Characteristics:</b> Skilled operation of computer, calculating machine, or key punch machine is not necessarily a requirement of this job.	
The above information is correct and approved by:	
(Signed) Job Analyst	(Signed) In charge Manager

**4. Supervision:** Under it is given number of persons to be supervised along with their job titles, and the extent of supervision involved –general, intermediate or close supervision.

**5. Relation to Other Jobs:** It describes the vertical and horizontal relationships of work flow. It also indicates to whom the jobholder will report and who will report to him. It gives an idea of channels of promotion.

**6. Machine,** tools and equipment define each major type or trade name of the machines and tools and the raw materials used.

**7. Working Conditions:** The working environment in terms of heat, light, noise, dust and fumes etc, the job hazards and possibility of their occurrence and working conditions should also be described. It will be helpful in job evaluation.

**8. Social Environment:** It specifies the social conditions under which the work will be performed. In this part the size of work group, interpersonal interactions required to perform the job and development facilities are mentioned

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### 3.8 Job Specification

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The job specification states the minimum acceptable qualifications that the incumbent must possess to perform the job successfully. Based on the information acquired through job analysis, the job specification identifies the knowledge, skills, and abilities needed to do the job effectively. Individuals possessing the personal characteristics identified in the job specification should perform the job more effectively than individuals lacking these personal characteristics. The job specification, therefore, is an important tool in the selection process, for it keeps the selector's attention on the list of qualifications necessary for an incumbent to perform the job and assists in determining whether candidates are qualified.

**According to Dale Yoder,** "The job specification, as such a summary properly described is thus a specialized job description, emphasizing personnel requirement and designed especially to facilitate selection and placement."

**Flippo has defined job specification as,** "Job specification is a statement of the minimum acceptable human qualities necessary to perform a job properly ..... It is a standard of personnel and designates the qualities required for acceptable performance."

It is clear from the above definitions that job specification is a statement of summary of personnel requirements for a job. It may also be called "standard of personnel for the selection"

**A Job Specification should include:**

- (i) **Physical characteristics,** which include health, strength, endurance, age, height, weight, vision, voice, eye, hand and foot co-ordination, motor co-ordination, and colour discrimination.
- (ii) **Psychological and social characteristics** such as emotional stability, flexibility, decision making ability, analytical view, mental ability, pleasing manners, initiative, conversational ability etc.
- (iii) **Mental Characteristics** such as general intelligence, memory, judgement, ability to concentrate, foresight etc.
- (iv) **Personal Characteristics** such as sex, education, family background, job experience, hobbies, extracurricular activities etc.

All these characteristics must be classified into three categories:

- Essential attributes which a person must possess.
- Desirable attributes which a person ought to possess.
- Contra indicators which will become a handicap to successful job performance.

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### 3.9 Job Design

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Job design is of comparatively recent origin. The human resource managers have realized that the design of a job has considerable influence on the productivity and job satisfaction; poorly designed jobs often result in boredom to the employees, increased turnover, job dissatisfaction, low productivity and an increase in overall costs of the organization. All these negative consequences can be avoided with the help of proper job design.

**According to Jon Werner and DeSimone**, “Job design is the development and alteration of the components of a job (such as the tasks one performs, and the scope of one’s responsibilities) to improve productivity and the quality of the employees’ work life.”

Job design has been defined by **Davis (1966)** as: “The specification of the contents, methods, and relationships of jobs in order to satisfy technological and organizational requirements as well as the social and personal requirements of the job-holder.”

**Milkovich and Boudreau defined job design as**, “Job design integrates work content (tasks, functions, and relationships), the rewards (extrinsic and intrinsic) and the qualifications required (skills, knowledge, abilities) for each job in a way that meets the needs of employees and the organization.”

**Michael Armstrong has defined job design as** “the process of deciding on the content of a job in terms of its duties and responsibilities, on the methods to be used in carrying out the job, in terms of techniques, systems and procedures, and on the relationships that should exist between the job holder and his superiors, subordinates and colleagues.”

Job design is an attempt to create a match between job requirements and human attributes. It involves organizing the components of the job and the interaction patterns among the members of a work group. It helps in developing appropriate design of job to improve efficiency and satisfaction.

#### **Principles of Job Design:**

Principles are the bases of the approach used in job design. Robertson and Smith (1985) have suggested the following five principles of job design:

- To influence skill variety, provide opportunities for people to do several tasks and combine tasks.
- To influence task identity, combine tasks and form natural work units.
- To influence task significance, form natural work units and inform people of the importance of their work.
- To influence autonomy, give people responsibility for determining their own working systems.
- To influence feedback; establish good relationship and open feedback channels.

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### 3.10 Methods of Job Design

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The various techniques of job design and redesign are discussed below:

**1. Job Simplification:** In job simplification, the complete job is broken down into small subparts; this is done so that employee can do these jobs without much specialized training. Moreover, small operations of the job can also be performed simultaneously so that the complete operation can be done more quickly. For job simplification, generally time and motion studies are used.

**2. Job Rotation:** Another technique designed to enhance employee motivation is job rotation, or periodically assigning employees to alternating jobs or tasks. For example, an employee may spend two weeks attaching

bumpers to vehicles and the following two weeks making final checks of the chassis. During the next month, the same employee may be assigned to two different jobs. Therefore, the employee would be rotated among four jobs. The advantage of job rotation is that employees do not have the same routine job day after day. Job rotation only addresses the problem of assigning employees to jobs of limited scope; the depth of the job does not change. The job cycle of the actual daily work performed has not been lengthened or changed. Instead, employees are simply assigned to different jobs with different cycles.

Because job rotation does not change the basic nature of jobs, it is criticized as nothing more than having an employee perform several boring and monotonous jobs rather than one. Some employees dislike job rotation more than being assigned to one boring job because when they are assigned to one job they know exactly where to report and what work to expect each day. Workers quickly realize that job rotation does not increase their interest in their work.

Although it seldom addresses the lack of employee motivation, it gives managers a means of coping with frequent absenteeism and high turnover. Thus when absenteeism or turnover occurs in the work force, managers can quickly fill the vacated position because each employee can perform several jobs.

Job rotation is often effectively used as a training technique for new, inexperienced employees. At higher organizational levels, rotation also helps to develop managerial generalists because it exposes them to several different operations.

#### **Advantage of Job Rotation Technique:**

- The employee experiences variety of work, workplace and peer group.
- Job rotation helps to broaden the knowledge and skills of an employee.
- The main advantage of job rotation is that it relieves the employee from the boredom and monotony of doing the same job.
- With the help of this method, people become more flexible. They are prepared to assume responsibility especially at other positions.
- Job rotation broadens the work experience of employees and turns specialists into generalists.
- It is beneficial for the management also as the management gets employees who can perform a variety of tasks to meet the contingencies.
- This method improves the self image and personal worth of the employee.

#### **Disadvantage of Job Rotation Technique:**

- Job rotation also creates disruptions. Members of the work group have to adjust to the new employee.
- Productivity is reduced by moving a worker into new position just when his efficiency at the prior job was creating organizational economies.
- Training costs are increased.
- The supervisor may also have to spend more time answering questions and monitoring the work of the recently rotated employee.
- It can demotivate intelligent and ambitious trainees who seek specific responsibilities in their chosen specialty.

**3. Job Enlargement:** Another means of increasing employee's satisfaction with routine jobs is job enlargement, or increasing the number of tasks performed (i.e. increasing the scope of the job). Job enlargement, like job rotation, tries to eliminate short job cycles that create boredom. Unlike job rotation, job enlargement actually increases the job cycle. When a job is enlarged, either the tasks being performed are enlarged or several short tasks are given to one worker. Thus, the scope of the job is increased because there are many tasks to be performed by the same worker. Job enlargement programs change

many methods of operation- in contrast to job rotation, in which the same work procedures are used by workers who rotate through work stations. Although job enlargement actually changes the pace of the work and the operation by reallocating tasks and responsibilities, it does not increase the depth of a job. The focus of designing work for job enlargement is the exact opposite of that for job specialization. Instead of designing jobs to be divided up into the fewest of tasks per employee, a job is designed to have many tasks for the employee to perform. An enlarged job requires a longer training period because there are more tasks to be learned. Worker satisfaction should increase because is reduced as the job scope is expanded. However, job enlargement programs are successful with jobs what have increased scope; such workers are less prone to resort to absenteeism, grievances, slowdowns and other means of displaying job dissatisfaction.

Enlargement is done only on the horizontal level. Thus, the job remains the same, but becomes of a larger scale than before. In the words of Geroge Strauss and L.R. Sayles “Job enlargement implies that instead of assigning one man to each job, a group of men can be assigned to a group of jobs and then allowed to decide for themselves how to organize the work. Such changes permit more social contacts and control over the work process.”

**Job enlargement has the following advantages:**

- Increase in diversity of jobs
- Job satisfaction
- Provides wholeness and identity with the task and increases the knowledge necessary to perform it.
- Provides variety of skills.
- Reduces tension and boredom.
- Trains and develops more versatile employees.

Despite these advantages this is not a completely satisfactory method of job design as it does not increase the depth of a job. Enlarged jobs require longer training period as there are more tasks to be learned.

**4. Job Enrichment:** The concept of job enrichment has been derived from Herzberg’s two-factor theory of motivation in which he has suggested that job content is one of the basic factors of motivation. If the job is designed in such a manner that it becomes more interesting and challenging to the job performer and provides him opportunities for achievement, recognition, responsibility, advancement and growth, the job itself becomes a source of motivation to the individual.

**According to Richard W. Beatty and Graig Eric. Schneider,** “Job enrichment is a motivational technique which emphasizes the need for challenging and interesting work. It suggests that jobs be redesigned so that intrinsic satisfaction is derived from doing the job. In its best applications it leads to a vertically enhanced job by adding function from other organizational levels, making it contain more variety and challenge and offer autonomy and pride to the employee.”

**According to P. Robbins,** “Job enrichment refers to the vertical expansion of the jobs. It increases the degree to which the worker controls the planning, execution and evaluation of his work.”

**In the words of Robert Albanese,** “Job enrichment sometimes called. “vertical job leading’ is a job redesign strategy that focuses on job depth.”

**According to Mondy. Holmes, and Flippo,** “Job enrichment refers to basic changes in the content and level of responsibility of a job so to provide for the satisfaction of the motivation needs of personnel. **Rebert Ford,** who was associated with designing of jobs to make them more enriched, has provided some bases (though not exhaustive) for job enrichment as shown in Table 3.3.



**Table 3.2 : Job Enrichment Bases**

<b>Tasks</b>	<b>Motivator involved</b>
Assign specific or specialized task to individuals enabling them to become expert	Responsibility, growth, advancement
Making periodic reports directly available to the individual himself rather than to the supervisor.	Internal recognition
Giving a person a whole, natural unit of work (module, exchange district, division, area, etc.)	Responsibility, achievement, recognition
Increasing the accountability of individuals for own work	Responsibility, recognition

**Techniques of Job Enrichment:** In order to enrich the jobs. The management should adopt the following measures:

- Freedom in decisions
- Assign a natural work unit to an employee.
- Encouraging participation
- Allow the employee to set his own standards of performance.
- Minimize the controls to provide freedom to the employees
- Make an employee directly responsible for his performance.
- Encourage participation of employees in deciding organizational goals and policies.
- Expand job vertically
- Introducing new, difficult and creative tasks to the employees.
- Sense of achievement.

**Advantages of Job Enrichment:** The advantages of job enrichment are as follows:

- It enriches the role.
- Job enrichment is the most widely used of job design as it provides a meaningful learning to employees.
- It makes the work interesting and employee get motivated.
- It helps in reducing the rate of labour turnover and absenteeism.
- It increases skills of the employees.
- It increases morale and performance.
- Reduce Boredom and dissatisfaction.
- Increase in output both qualitative and quantitative.

**Disadvantages of Job Enrichment:** Dunham and Newstrom state, “Even the strongest supporters of job enrichment readily admit that there are limitations in its application.” Newstrom and Keith Davis also write, “Employees are the final judges of what enriches their jobs. All that management can do is to gather information about what tends to enrich jobs, try these changes in the job system, and then determine whether employees feel that enrichment has occurred.” A few limitations of or problems with job enrichment are as follows:

- Increase cost
- Need more employee counseling, training, and guidance.
- Not applicable to all jobs.
- Negative impact on personnel.
- Imposed on people.
- Objected by unions
- Pay dissatisfaction

## **JOB ENLARGEMENT vs. JOB ENRICHMENT**

Job enlargement and job enrichment are both important forms of job design in order to enhance productivity and satisfaction of the employees. They differ from each other in the following respects:

**1. Nature of Job:** The major difference between job enrichment and enlargement lies in the nature of additions to the job. Enlargement involves a horizontal loading or expansion, or addition of tasks of the same nature. Enrichment involves vertical loading of tasks and responsibility of the job holder; it improves the quality of the job in terms of its intrinsic worth.

**2. Purpose:** The purpose of job enlargement is to reduce the monotony in performing repetitive jobs by lengthening the cycle of operation. On the other hand, the purpose of job enrichment is making the job lively, challenging and satisfying. It satisfies the higher level needs such as ego satisfaction, self expression, sense of achievement and advancement of Job holders.

**3. Skill Requirement:** Job enlargement may not necessarily require the use of additional skills which the job holder was using in performing the job before the enlargement. This is due to similarity of additional tasks. Enrichment calls for development and utilization of higher skills, initiative, and innovation on the part of the job holder in performing the job.

**4. Direction and Control:** Job enlargement requires direction and control from external sources, say supervisor. In fact, the job holder may require more direction and control because of enlargement of his responsibility. Enrichment does not require external direction and control as these come from the job holder himself. He requires only feedback from his supervisor.

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### **3.11 Summary**

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- The purpose of an organization is to give each person a separate distinct job and to ensure that these jobs are coordinated in such a way that the organization accomplishes its goals.
- Developing an organization structure results in jobs that have to be staffed. Job analysis is the procedure through which you find out (1) what the job entails, and (2) what kinds of people should be hired for the job. It involves six steps: (1) determine the use of the job analysis information; (2) collection of background information; (3) selection of jobs for analysis; (4) collection of job analysis data; (5) processing the information; (6) preparing job descriptions and job classifications; and (7) developing job specifications.
- Techniques of job analysis are – observation method, questionnaires, participant diary/logs, interview, critical incidents, technical conference method, and job performance.
- Job description and job specification are products of job analysis. Job description should indicate: duties to be performed by the job holder and the manner he should complete the tasks. Job specification: answer the question “what human traits and experience are necessary to do the job. It portrays what kind of person to recruit and for what qualities that person should be tested”.

- Job design is an attempt to create a match between job requirements and job attribute. Job rotation implies transfer to a job of same level and status. Job simplification enables the employees to do the without much specialized training
- Job enlargement is the process of increasing the scope of job of a particular by adding more tasks to it. And job enrichment implies increasing the contents of a job or the deliberate upgrading of responsibility scope and challenge in work.
- Job enlargement and job enrichment are both important forms of job design in order to enhance the productivity and satisfaction of the job holders.

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### **3.12 Self Assessment Questions**

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1. What do you understand by job analysis? What is its importance in the management of human resources?
2. What is job analysis? What steps are involved in the preparation of job analysis?
3. What are the byproducts of job analysis? Discuss the techniques used for collecting data for job analysis?
4. What is job description? How is it prepared?
5. Define job specification? How is it different from job description?
6. Write notes on :  
(i) Job Rotation  
(ii) Job Simplification
7. Distinguish between :  
(a) Job description and job specification  
(b) Job enlargement and job enrichment
8. “Job analysis is the most basic personnel management function.” Discuss.
9. Clearly define and discuss the relationship among job analysis, job description and job specification.

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### **3.13 Reference Books**

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- Mamoria C.B., Gankar S.V., (2006), “A Textbook of Human Resource Management”, Himalaya Publishing House, New Delhi.
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## Unit - 4 : Recruitment

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### Structure of Unit:

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Recruitment: Meaning and Definition
- 4.3 Process of Recruitment
- 4.4 Recruitment Policy
- 4.5 Factor Affecting Recruitment
- 4.6 Sources of Recruitment
- 4.7 Methods of Recruitment
- 4.8 Philosophies of Recruitment
- 4.9 Summary
- 4.10 Self Assessment Questions
- 4.11 Reference Books

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### 4.0 Objectives

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After completing this unit, you will be able to:

- Define recruitment.
- Cite the steps in recruitment process.
- Understand the prerequisites of a good recruitment policy.
- Describe the various sources of recruitment.
- Understand the methods through which prospective candidates may be recruited.
- Point out the various factors affecting recruitment.

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### 4.1 Introduction

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Successful human resource planning should identify our human resource needs. Once we know these needs, we will want to do something about meeting them. The next step in the acquisition function, therefore, is recruitment. This activity makes it possible for us to acquire the number and types of people necessary to ensure the continued operation of the organization.

**Hallett says**, “It is with people that quality performance really begins and ends.” Robert Heller also says, “If people of poor calibre are hired, nothing much else can be accomplished and Gresham’s law will work: the bad people will drive out the good or cause them to deteriorate.”

Recruiting is the discovering of potential candidates for actual or anticipated organizational vacancies. Or, from another perspective, it is a linking activity-bringing together those with jobs to fill and those seeking jobs.

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### 4.2 Recruitment: Meaning and Definition

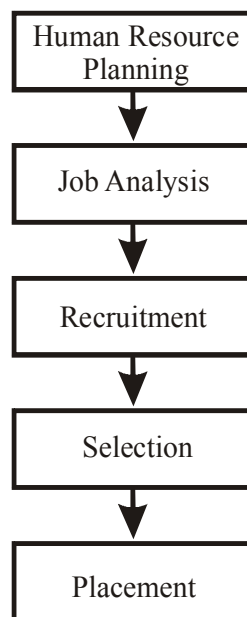
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Recruitment forms a step in the process which continues with selection and ceases with the placement of the candidate. It is the next step in the procurement function, the first being the manpower planning. Recruiting makes it possible to acquire the number and types of people necessary to ensure the continued operation of the organisation. Recruiting is the discovering of potential applicants for actual or anticipated organisational vacancies.

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

**According to Lord**, “Recruitment is a form of competition. Just as corporations compete to develop, manufacture, and market the best product or service, so they must also compete to identify, attract and hire the most qualified people. Recruitment is a business, and it is a big business.”

**In the words of Dale Yoder**, “Recruiting is a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force.”



**Figure 4.1: Recruitment to Human Resource Acquisition Process**

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

**Dales S. Beach writes**, “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.”

Thus, recruitment process is concerned with the identification of possible sources of human resource supply and tapping those sources. In the total process of acquiring and placing human resources in the organisation, recruitment falls in between different sub-processes as shown in Figure 4.2.

**According to Scott, Clothier and Spriegel** the need for recruitment arises out of the following situations:

- Vacancies created due to expansion, diversification, and growth of business.
- An increase in the competitive advantage of certain concerns, enabling them to get more of the available business than formerly.
- An increase in business arising from an upswing during the recovery period of a business cycle.
- Vacancies created due to transfer, promotion, retirement, termination, permanent disability or death.
- The normal population growth, which requires increased goods and services to meet the needs of the people.
- A rising standard of living, which requires more of the same goods and services as well as the creation of new wants to be satisfied.

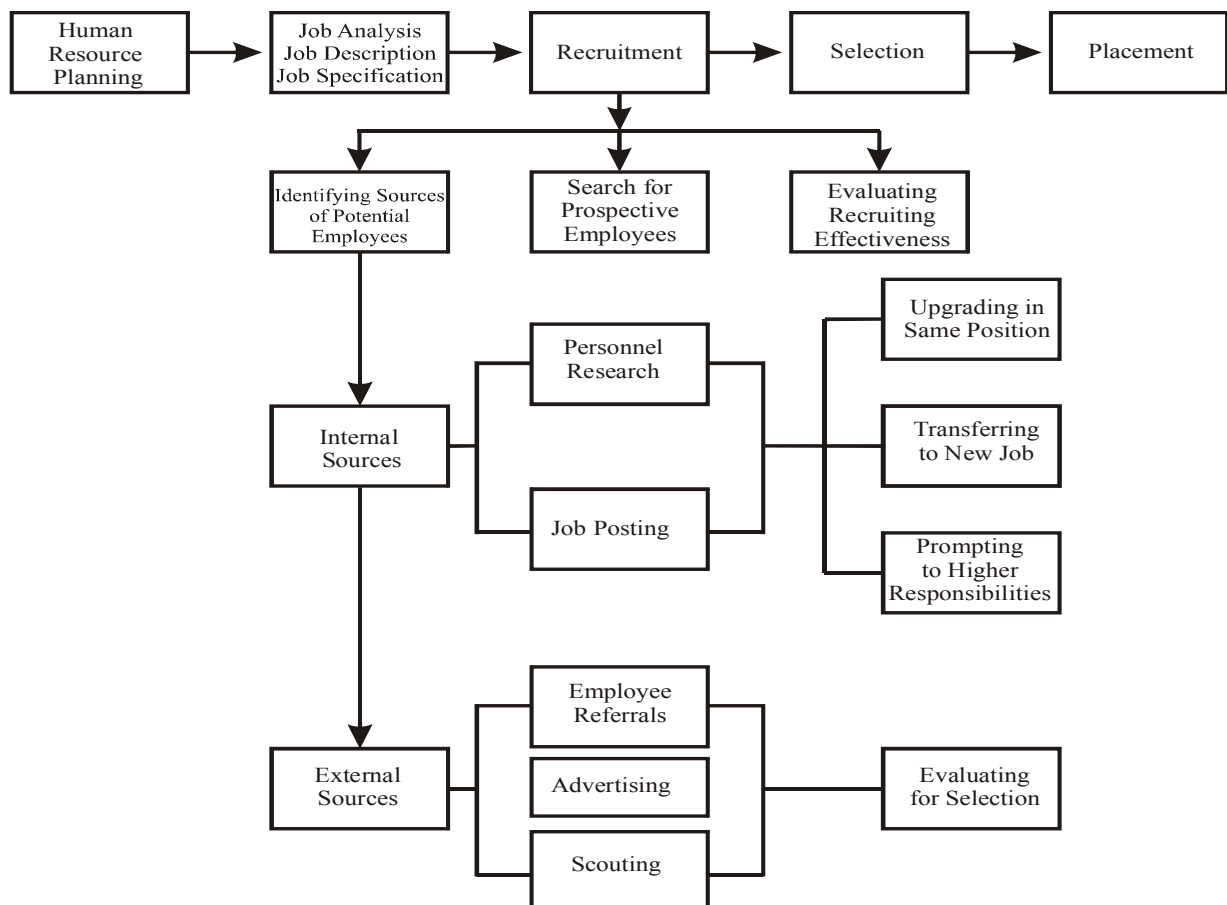
### 4.3 Process of Recruitment

Recruitment process passes through the following stages:

- Recruitment process begins when the personnel department receives requisitions for recruitment from any department of the company, The personnel requisitions contain details about the position to be filled, number of persons to be recruited, the duties to be performed, qualifications expected from the candidates, terms and conditions of employment and the time by which the persons should be available for appointment etc.
- Locating and developing the sources of required number and type of employees.
- Identifying the prospective employees with required characteristics.
- Developing the techniques to attract the desired candidates. The goodwill of an organisation in the market may be one technique. The publicity about the company being a good employer may also help in stimulating candidates to apply. There may be others of attractive salaries, proper facilities for development etc.
- Evaluating the effectiveness of recruitment process.

**According to Famularo**, personnel recruitment process involves five elements, viz., a recruitment policy, a recruitment organisation, a forecast of manpower, the development of sources of recruitment, and different techniques used for utilising these sources, and a method of assessing the recruitment programme. The explanation of these is described below:

**1. Recruitment Policy:** It specifies the objectives of recruitment and provides a framework for the implementation of the recruitment programme. It also involves the employer's commitment to some principles as to find and employ the best qualified persons for each job, to retain the most promising of those hired, etc. It should be based on the goals, needs and environment of the organisation.



**Figure 4.2 : Place of Recruitment in Selection System**

**2. Recruitment Organisation:** The recruitment may be centralised like public sector banks or decentralised. Both practices have their own merits. The choice between the two will depend on the managerial philosophy and the particular needs of the organisation.

**3. Sources of Recruitment:** Various sources of recruitment may be classified as internal and external. These have their own merits and demerits.

**4. Methods of Recruitment:** Recruitment techniques are the means to make contact with potential candidates, to provide them necessary information and to encourage them to apply for jobs.

**5. Evaluation of Recruitment Programme:** The recruitment process must be evaluated periodically. The criteria for evaluation may consist of cost per applicant, the hiring ratio, performance appraisal, tenure of stay, etc. After evaluation, necessary improvements should be made in the recruitment programme.

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#### **4.4 Recruitment Policy**

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As Yoder et al observe recruitment policy spells out the objectives of the recruitment and provides a framework for implementations of the recruitment programme in the form of procedures. It may involve a commitment to broad principles such as filling vacancies with the best qualified individuals. The recruitment policy may embrace several issues such as the extent of promotion from within, attitudes of enterprise in recruiting old, handicapped, and minor individuals, minority group members, part-time employees and relatives of present employees. In addition, the recruitment policy may also involve the organisation system to be developed for implementing the recruitment programme and procedures to be employed. Explicitly, an organisational system is a function of the size of an enterprise. In smaller enterprises, there may be merely informal recruiting procedures and the line official may be responsible to handle this function along with their usual responsibilities. On the other hand, in larger organisations, there is usually a staff unit attached with personnel or an industrial relations department designated as employment or recruitment office. This specialisation of recruitment enables staff personnel to become highly skilled in recruitment techniques and their evaluation. However, recruitment remains the line responsibility as far as the personnel requisition forms are originated by the line personnel, who have also the final word in the acceptance or rejection of a particular applicant. Despite this, the staff personnel have adequate freedom in respect of sources of manpower to be tapped and the procedure to be followed for this purpose.

Recruitment policy covers the following areas:

- To prescribe the degree of emphasis. Inside the organisation or outside the organisation.
- To provide the weightage that would be given to certain categories of people such as local population, physically-handicapped personnel, personnel from scheduled castes/tribes and other backward classes.
- To prescribe whether the recruitment would be centralised or decentralised at unit levels.
- To specify the degree of flexibility with regard to age, qualifications, compensation structure and other service conditions.
- To prescribe the personnel who would be involved in recruitment process and the role of human resource department in this regard.
- To specify the budget for meeting the expenditures incurred in completing the recruitment process.

**According to Yoder,** “the recruitment policy is concerned with quantity and qualifications of manpower.” It establishes broad guidelines for the staffing process. Generally, the following factors are involved in a recruitment policy:

- To provide each employee with an open road and encouragement in the continuing development of his talents and skills;
- To provide individual employees with the maximum of employment security, avoiding, frequent lay-off or lost time;
- To avoid cliques which may develop when several members of the same household or community are employed in the organisation;
- To carefully observe the letter and spirit of the relevant public policy on hiring and, on the whole, employment relationship;
- To assure each employee of the organisation interest in his personal goals and employment objective;
- To assure employees of fairness in all employment relationships, including promotions and transfers;
- To provide employment in jobs which are engineered to meet the qualifications of handicapped workers and minority sections; and
- To encourage one or more strong, effective, responsible trade unions among the employees.

**Prerequisites of a Good Recruitment Policy:** The recruitment policy of an organisation must satisfy the following conditions:

- It should be in conformity with its general personnel policies;
- It should be flexible enough to meet the changing needs of an organisation;
- It should be so designed as to ensure employment opportunities for its employees on a long-term basis so that the goals of the organisation should be achievable; and it should develop the potentialities of employees;
- It should match the qualities of employees with the requirements of the work for which they are employed; and
- It should highlight the necessity of establishing job analysis.

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## 4.5 Factor Affecting Recruitment

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The factors affecting recruitment can be classified as internal and external factors.

**The internal factors are:**

- Wage and salary policies;
- The age composition of existing working force;
- Promotion and retirement policies;
- Turnover rates;
- The nature of operations involved the kind of personnel required;
- The level and seasonality of operations in question;
- Future expansion and reduction programmes;
- Recruiting policy of the organisation;
- Human resource planning strategy of the company;
- Size of the organisation and the number of employees employed;



- Cost involved in recruiting employees, and finally;
- Growth and expansion plans of the organisation.

**The external factors are:**

- Supply and demand of specific skills in the labour market;
- Company's image perception of the job seekers about the company.
- External cultural factors: Obviously, the culture may exert considerable check on recruitment. For example, women may not be recruited in certain jobs in industry.
- Economic factors: such as a tight or loose labour market, the reputation of the enterprise in the community as a good pay master or otherwise and such allied issues which determine the quality and quantity of manpower submitting itself for recruitment.
- Political and legal factors also exert restraints in respect of nature and hours of work for women and children, and allied employment practices in the enterprise, reservation of Job for SC, ST and so on.

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## **4.6 Sources of Recruitment**

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After the finalisation of recruitment plan indicating the number and type of prospective candidates, they must be attracted to offer themselves for consideration to their employment. This necessitates the identification of sources from which these candidates can be attracted. Some companies try to develop new sources, while most only try to tackle the existing sources they have. These sources, accordingly, may be termed as internal and external.

### **Internal Sources**

It would be desirable to utilise the internal sources before going outside to attract the candidates. Yoder and others suggest two categories of internal sources including a review of the present employees and nomination of candidates by employees. Effective utilisation of internal sources necessitates an understanding of their skills and information regarding relationships of jobs. This will provide possibilities for horizontal and vertical transfers within the enterprise eliminating simultaneous attempts to lay off employees in one department and recruitment of employees with similar qualification for another department in the company. Promotion and transfers within the plant where an employee is best suitable improves the morale along with solving recruitment problems. These measures can be taken effectively if the company has established job families through job analysis programmes combining together similar jobs demanding similar employee characteristics. Again, employees can be requested to suggest promising candidates. Sometimes, employees are given prizes for recommending a candidate who has been recruited. Despite the usefulness of this system in the form of loyalty and its wide practice, it has been pointed out that it gives rise to cliques posing difficulty to management. Therefore, before utilising this system attempts should be made to determine through research whether or not employees thus recruited are effective on particular jobs. Usually, internal sources can be used effectively if the numbers of vacancies are not very large, adequate, employee records are maintained, jobs do not demand originality lacking in the internal sources, and employees have prepared themselves for promotions.

**Merits of Internal Sources:** The following are the merits of internal sources of recruitment:

- It creates a sense of security among employees when they are assured that they would be preferred in filling up vacancies.

- It improves the morale of employees, for they are assured of the fact that they would be preferred over outsiders when vacancies occur.
- It promotes loyalty and commitment among employees due to sense of job security and opportunities for advancement.
- The employer is in a better position to evaluate those presently employed than outside candidates. This is because the company maintains a record of the progress, experience and service of its employees.
- Time and costs of training will be low because employees remain familiar with the organisation and its policies.
- Relations with trade unions remain good. Labour turnover is reduced.
- As the persons in the employment of the company are fully aware of, and well acquainted with, its policies and know its operating procedures, they require little training, and the chances are that they would stay longer in the employment of the organisation than a new outsider would.
- It encourages self-development among the employees. It encourages good individuals who are ambitious.
- It encourages stability from continuity of employment.
- It can also act as a training device for developing middle and top-level managers.

**Demerits of Internal Sources:** However, this system suffers from certain defects as:

- There are possibilities that internal sources may “dry up”, and it may be difficult to find the requisite personnel from within an organisation.
- It often leads to inbreeding, and discourages new blood from entering an organisation.
- As promotion is based on seniority, the danger is that really capable hands may not be chosen. The likes and dislikes of the management may also play an important role in the selection of personnel.
- Since the learner does not know more than the lecturer, no innovations worth the name can be made. Therefore, on jobs which require original thinking (such as advertising, style, designing and basic research), this practice is not followed.

This source is used by many organisations; but a surprisingly large number ignore this source, especially for middle management jobs.

## **External Sources**

DeCenzo and Robbins remark, “Occasionally, it may be necessary to bring in some ‘new blood’ to broaden the present ideas, knowledge, and enthusiasm.” Thus, all organisations have to depend on external sources of recruitment. Among these sources are included:

- Employment agencies.
- Educational and technical institutes. and
- Casual labour or “applicants at the gate” and new applicants.

Public and private employment agencies play a vital role in making available suitable employees for different positions in the organisations. Besides public agencies, private agencies have developed markedly in large cities in the form of consultancy services. Usually, these agencies facilitate recruitment of technical and professional personnel. Because of their specialisation, they effectively assess the needs of their clients and aptitudes and skills of the specialised personnel. They do not merely bring an employer and an employee together but computerise lists of available talents, utilising testing to classify and assess applicants and use advanced techniques of vocational guidance for effective placement purposes.

Educational and technical institutes also form an effective source of manpower supply. There is an increasing emphasis on recruiting student from different management institutes and universities commerce and management departments by recruiters for positions in sales, accounting, finance, personnel and production. These students are recruited as management trainees and then placed in special company training programmes. They are not recruited for particular positions but for development as future supervisors and executives. Indeed, this source provides a constant flow of new personnel with leadership potentialities. Frequently, this source is tapped through on-campus interview with promising students. In addition, vocational schools and industrial training institutes provide specialised employees, apprentices, and trainees for semiskilled and skilled jobs. Persons trained in these schools and institutes can be placed on operative and similar jobs with a minimum of in-plant training. However, recruitment of these candidates must be based on realistic and differential standards established through research reducing turnover and enhancing productivity.

Frequently, numerous enterprises depend to some extent upon casual labour or “applicants at the gate” and nail applicants. The candidates may appear personally at the company’s employment office or send their applications for possible vacancies. Explicitly, as Yoder and others observe, the quality and quantity of such candidates depend on the image of the company in community. Prompt response to these applicants proves very useful for the company. However, it may be noted that this source is uncertain, and the applicants reveal a wide range of abilities necessitating a careful screening. Despite these limitations, it forms a highly inexpensive source as the candidates themselves come to the gate of the company. Again, it provides measures for good public relations and accordingly, all the candidates visiting the company must be received cordially.

**Table 4.1 : Recruiting Sources Used by Skill and Level**

<b>Skill/Level</b>	<b>Recruiting Source</b>	<b>Percentage of Use</b>
Unskilled and Semiskilled	Informal contacts	85
	Walk-ins	74
	Public Employment Agencies	66
	Want Ads	52
Skilled	Informal Contacts	88
	Walk-ins	66
	Public Employment Agencies	55
	Want Ads	55
Professional Employees	Internal Search	94
	Informal Contacts	92
	Walk-ins	71
	Public Employment Agencies	52
	Want Ads	48
	Private Employment Agencies	22
Managerial Level	Internal Search	100
	Informal Contacts	71
	Walk-ins	31
	Private Employment Agencies	20
	Want Ads	17
	Public Employment Agencies	12

Source: Adapted from Stephen L. Mangum, “Recruitment and job Search: The Recruitment Tactics of Employers. “Personnel Administrator, June 1982, p. 102.

As Jucius observes, trade unions are playing an increasingly important role in labour supply. In several trades, they supply skilled labour in sufficient numbers. They also determine the order in which employees are to be recruited in the organisation. In industries where they do not take active part in recruitment, they make it a point that employees laid off are given preference in recruitment.

Application files also forms a useful source of supply of work force. Attempts may be made to review the application to determine jobs for which the candidates filed for future use when there are openings in these jobs. The candidates may be requested to renew their cards as many times as they desire. All the renewed cards may be placed in “active” files and those not renewed for considerable time may be placed in “inactive” file or destroyed. Indeed, a well-indexed application file provides utmost economy from the standpoint of a recruiting budget.

Efficacy of alternative sources of supply of human resources should be determined through research. Attempts may be made to relate the factor of success on the job with a specific source of supply. Alternative sources can also be evaluated in terms of turnover, grievances and disciplinary action. Those sources which are significantly positively related with job performance and significantly negatively related with turnover, grievances and disciplinary action, can be effectively used in recruitment programmes. The assessment should be periodically performed in terms of occupations. It may be that source “A” is most effective for technical workers, while source “B” for semiskilled workers.

**Advantages of External Recruitment:** External sources of recruitment are suitable for the following reasons:

- It will help in bringing new ideas, better techniques and improved methods to the organisation.
- The cost of employees will be minimised because candidates selected in this method will be placed in the minimum pay scale.
- The existing employees will also broaden their personality.
- The entry of qualitative persons from outside will be in the interest of the organisation in the long run.
- The suitable candidates with skill, talent, knowledge are available from external sources.
- The entry of new persons with varied expansion and talent will help in human resource mix.

**Disadvantages of External Sources:**

- Orientation and training are required as the employees remain unfamiliar with the organisation.
- It is more expensive and time-consuming. Detailed screening is necessary as very little is known about the candidate.
- If new entrant fails to adjust himself to the working in the enterprise, it means yet more expenditure on looking for his replacement.
- Motivation, morale and loyalty of existing staff are affected, if higher level jobs are filled from external sources. It becomes a source of heart-burning and demoralisation among existing employees.

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## 4.7 Methods of Recruitment

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Methods of recruitment are different from the sources of recruitment. Sources are the locations where prospective employees are available. On the other hand, methods are way of establishing links with the prospective employees. Various methods employed for recruiting employees may be classified into the following categories:

## 1. Direct Methods:

These include sending recruiters to educational and professional institutions, employees, contacts with public, and manned exhibits. One of the widely used direct methods is that of sending of recruiters to colleges and technical schools. Most college recruiting is done in co-operation with the placement office of a college. The placement office usually provides help in attracting students, arranging interviews, furnishing space, and providing student resumes.

For managerial, professional and sales personnel campus recruiting is an extensive operation. Persons reading for MBA or other technical diplomas are picked up in this manner. For this purpose, carefully prepared brochures, describing the organisation and the jobs it offers, are distributed among students, before the interviewer arrives. Sometimes, firms directly solicit information from the concerned professors about students with an outstanding record. Many companies have found employees contact with the public a very effective method. Other direct methods include sending recruiters to conventions and seminars, setting up exhibits at fairs, and using mobile offices to go to the desired centres.

**Table 4.2: Methods of Contacting Prospective Candidates**

<b>Based on personnel to be recruited</b>	
<b>Managerial/technical personnel</b>	<b>Operative personnel</b>
Advertisement Internet Walk-ins Campus recruitments Job fairs Consultancy firms Personnel contacts Poaching and raiding	Public employment exchanges Labour unions Employee referrals Gate hiring Labour contractors
<b>Based on the movement of the organisation</b>	
<b>Direct methods</b>	<b>Third party method</b>
Advertisement Internet recruiting Campus recruitment Job fairs Personnel contacts Gate hiring	Consultancy firms Public employment exchanges Labour unions Employee referrals Labour contractors

## 2. Indirect Methods:

The most frequently used indirect method of recruitment is advertisement in newspapers, journals, and on the radio and television. Advertisement enables candidates to assess their suitability. It is appropriate when the organisation wants to reach out to a large target group scattered nationwide. When a firm wants to conceal its identity, it can give blind advertisement in which only box number is given. Considerable details about jobs and qualifications can be given in the advertisements. Another method of advertising is a notice-board placed at the gate of the company.

## 3. Third-Party Methods:

The most frequently used third-party methods are public and private employment agencies. Public employment exchanges have been largely concerned with factory workers and clerical jobs. They also provide help in recruiting professional employees. Private agencies provide consultancy services and charge a fee. They are usually specialised for different categories of operatives, office workers, salesmen,

supervisory and management personnel. Other third-party methods include the use of trade unions. Labour-management committees have usually demonstrated the effectiveness of trade unions as methods of recruitment.

Several criteria discussed in the preceding section for evaluating sources of applicants can also be used for assessing recruiting methods. Attempts should be made to identify how the candidate was attracted to the company. To accomplish this, the application may consist of an item as to how the applicant came to learn about the vacancy. Then, attempts should be made to determine the method which consistently attracts good candidates. Thus, the most effective method should be utilised to improve the recruitment programme.

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## 4.8 Philosophies of Recruitment

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There are basically two philosophies of recruitment:

- Traditional
- Realistic

The traditional philosophy is to get as many people as possible to apply for the job. As a result of this, a large number of job seekers apply for the job, which makes the final selection process difficult and can often result in the selection of wrong candidates. Wrong selection can, in turn, lead to employee dissatisfaction and turnover in the long run.

In realistic philosophy, the needs of the organisation are matched with the needs of the applicants, which enhance the effectiveness of the recruitment process. In realistic approach, the employees who are recruited will stay in the organisation for a longer period of time and will perform at higher level of effectiveness.

**Table 4.3 : Difference between Traditional and Realistic Job Preview**

<b>Traditional Job Preview</b>	<b>Realistic Job Preview</b>
Setting unrealistic and high job expectations.	Setting realistic job expectations.
Job is viewed by the candidates as highly attractive	Attractiveness of job is evaluated in the light of realistic job expectations
High rate of acceptance of job offers.	Some accept and some reject job offers.
High expectation belied by actual job experience	Expectations are confirmed by job experience.
Creations of dissatisfaction, frustration and thoughts for leaving the job	Creation of satisfaction in the light of job expectations.
High rate of personnel turnover and lower rate of job survival	High rate of personnel retention and high rate of job survival

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## 4.9 Summary

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Recruitment forms a step in the process which continues with selection and ceases with the placement of the candidate. It is the next step in the procurement function, the first being the manpower planning. Recruiting makes it possible to acquire the number and types of people necessary to ensure the continued operation of the organisation. Thus, recruitment process is concerned with the identification of possible sources of human resource supply and tapping those sources.

Recruitment process involves five elements, viz., a recruitment policy, a recruitment organisation, the development of sources of recruitment, and different techniques used for utilising these sources, and a method of assessing the recruitment programme. After the finalisation of recruitment plan indicating the

number and type of prospective candidates, they must be attracted to offer themselves for consideration to their employment. This necessitates the identification of sources from which these candidates can be attracted. Some companies try to develop new sources, while most only try to tackle the existing sources they have. These sources, accordingly, may be termed as internal and external.

Methods of recruitment are different from the sources of recruitment. Sources are the locations where prospective employees are available. On the other hand, methods are way of establishing links with the prospective employees. Various methods employed for recruiting employees may be classified into direct methods, indirect methods and third party methods.

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#### **4.10 Self Assessment Questions**

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1. Define recruitment and identify the various factors which affect recruitment.
2. Discuss the steps of recruitment process. How will you reconcile the internal and external sources of recruitment?
3. Discuss various sources of recruitment.
4. What is realistic job preview? How does it differ from traditional job preview?
5. What do you mean by recruitment policy? Explain the prerequisites of a good recruitment policy.
6. Write short notes on following.
  - (i) Advantages and disadvantages of internal sources of recruitment.
  - (ii) Advantages and disadvantages of external source of recruitment.
7. Explain the direct, indirect and third party methods of recruitment.

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#### **4.11 Reference Books**

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## Unit - 5 : Selection

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### Structure of Unit:

- 5.0 Objectives
- 5.1 Introduction: Selection
- 5.2 Selection Procedure
- 5.3 Selection Decision Outcomes
- 5.4 Placement – Orientation - Socialization
- 5.5 Summary
- 5.6 Self Assessment Questions
- 5.7 Reference Books

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### 5.0 Objectives

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After completing this unit, you will be able to:

- Understand and define selection and its process.
- Understand the selection process so as to make it effective.
- Explain how the final selection decision is made.
- Point out the outcomes of selection decision.
- Understand in brief about placement and orientation.
- Develop a selection decision process.

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### 5.1 Introduction: Selection

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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.

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

**According to 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”.

**In the words of 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.”

**According to 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.”



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. 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: (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. Satisfaction of employee needs and wants as well as the fullest development of his potential are important objectives of selection.

**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.”

**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:

**1. 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.

**2. 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.

**3. 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.

**4. 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.

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## 5.2 Selection Procedure

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The selection procedure is concerned with securing relevant information about an applicant. This information is secured in a number of steps or stages. The objective of selection process is to determine whether an applicant meets the qualification for a specific job and to choose the applicant who is most likely to perform well in that job. Selection is a long process, commencing from the preliminary interview of the applicants and ending with the contract of employment (sometimes).

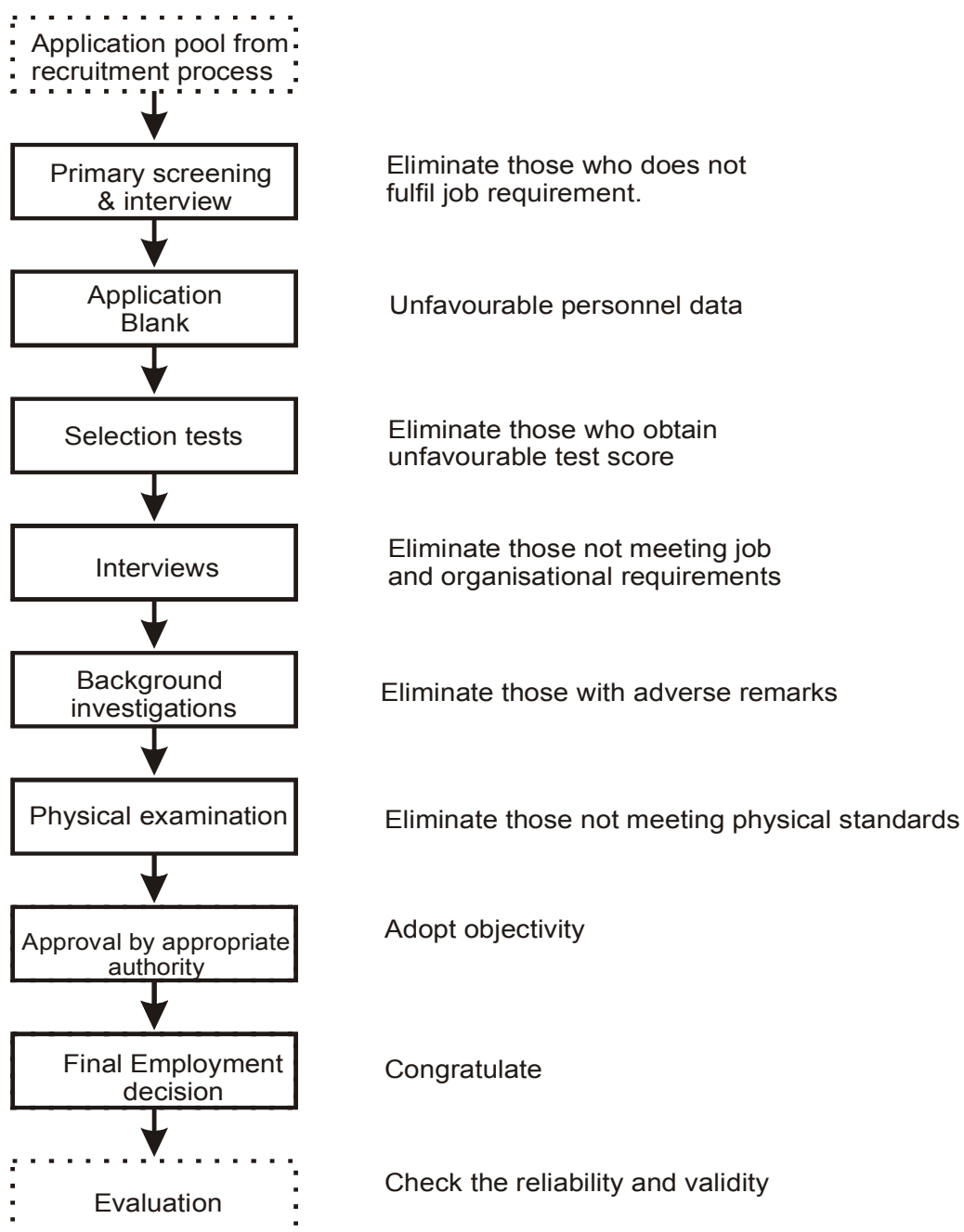
The selection procedure consists of a series of steps. Each step must be successfully cleared before the applicant proceeds to the next. The selection process is a series of successive hurdles or barriers which an applicant must cross. These hurdles are designed to eliminate an unqualified candidate at any point in the selection process. Thus, this technique is called “Successive Hurdles Technique”. In practice, the process differs among organisations and between two different jobs within the same organisation. Selection procedure

for the senior managers will be long drawn and rigorous, but it is simple and short while hiring lower level employees.

**The major factors which determine the steps involved in a selection process are as follows:**

- 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 5.1.



**Figure 5.1 Steps in Selection Process**

**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.

**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 fulfil 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 elected 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.

**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 WAB 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.

**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 uses 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.

**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.
- Facilitates giving to the candidate information about the job, company, its policies, products etc.
- 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:**

**(1) Unstructured or non directive:** in which you ask questions as they come to mind. There is no set format to follow.

**(2) 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.

**A 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. While 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 non-verbal 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. Maintain a 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.

**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.

**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."

**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.

**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 form 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 prepare 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.

**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.

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### 5.3 Selection Decision Outcomes

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Consider, for a moment, that any selection decision can result in four possible outcomes. As shown in Figure 5.2, two of these outcomes would indicate correct decisions, but two would indicate errors.

Correct decisions are those where the applicant was predicted to be successful and later did prove to be successful on the job, or where the applicant was predicted to be unsuccessful and would have performed accordingly if hired. In the former case, we have successfully accepted; in the latter case, we have successfully rejected. Thus the purpose of selection activities is to develop outcomes shown as “correct decisions” in Figure 5.2.

Problems occur when we make errors-by rejecting candidates who would later perform successfully on the job (reject errors) or accepting those individuals who subsequently perform poorly on the job (accept errors). These problems are, unfortunately far from insignificant. Reject errors historically meant that the costs in performing selection activities would be increased. Accept errors, on the other hand, have very obvious costs to the organization including the cost of training the employee, the costs generated (or profits forgone) due to the employee’s incompetence, the cost of severance and the subsequent costs of further recruiting and selection screening. The major thrust of any selection activity, therefore, is to reduce the probability of making reject or accept errors while increasing the probability of making reject or accept errors while increasing the probability of making correct decisions.

		Accept	Reject
Later Job Performance	Successful	Correct decision	Reject error
	Unsuccessful	Accept error	Correct decision

**Figure 5.2: Selection Decision Outcomes**



In summary, selection have 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.

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## **5.4 Placement – Orientation - Socialization**

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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.

**According to 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.

**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.

**In the words of John M. Ivancevich**, "Orientation orients, directs, and guides employees to understand the work, firm, colleagues, and mission. It introduces new employees to the organisation, and to his new tasks, managers, and work groups."

**According to John Bernardin**, "Orientation is a term used for the organizationally sponsored, formalized activities associated with an employee's socialisation into the organisation."

**Billimoria has defined orientation as,** “Induction (orientation) is a technique by which a new employee is rehabilitated into the changed surroundings and introduced to the practices, policies, and purposes of the organisation.”

Orientation is one component of the new employee socialization process. Socialization is the ongoing process of instilling in all new employees prevailing attitudes, standards, values, patterns of behaviour that are expected by the organisation and its departments.

Thus, orientation is a process through which a new employee is introduced to the organisation. It is the process wherein an employee is made to feel comfortable and at home in the organisation. The new employee is handed over a rulebook, company booklets, policy manuals, progress reports and documents containing company information which are informational in nature. It is responsibility of the human resource department to execute the orientation programme.

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## 5.5 Summary

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- 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.
- The discrete selection process would include the following.
  - a. Application Pool,
  - b. Preliminary Screening and Interview,
  - c. Application Blank or Application Form,
  - d. Selection Tests,
  - e. Interview
  - f. Background Investigation,
  - g. Physical Examination,
  - h. Approval by Appropriate Authority,
  - i. Final Employment Decision,
  - j. Evaluation
- 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.
- To be an effective predictor, a selection device should be
  - a. Reliable
  - b. Valid
  - c. Predict a relevant criterion
- In India the selection process on hiring skilled and managerial personnel are fairly well defined and systematically practical.

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## 5.6 Self Assessment Questions

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1. What do you understand by selection process? Discuss various steps involved in it.
2. What is application blank? What purpose does it serve? Explain the contents of an application blank.

3. Discuss the characteristics of a good test. Explain various types of tests used in the selection process.
4. What is an interview? What purpose does it serve? Discuss various types of interviews.
5. Discuss various guidelines to be followed for an interview.
6. Explain various steps involved in the selection of personnel.
7. What do you understand by placement and orientation?

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## **5.7 Reference Books**

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## Unit - 6 : Employee Training

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### Structure of Unit:

- 6.0 Objectives
- 6.1 Introduction : Concept
- 6.2 Need for Employee Training
- 6.3 Importance
- 6.4 Types of Employee Training
- 6.5 Objectives and Process of Employee Training
- 6.6 Advantages of On the Job Training Methods
- 6.7 Summary
- 6.8 Self Assessment Questions
- 6.9 Reference Books

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### 6.0 Objectives

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After completing this unit, you would be able to:

- Understand various aspects of the training design process;
- Classify the various training methods;
- Point out various factors affecting training decisions;
- Know about various objectives of employee training;
- Learn and appreciate the significance of employee training;
- Understand difference between on the job and off the job training.

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### 6.1 Introduction : Concept

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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. Today there is a greater emphasis on-

- 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.

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 (also known as technical colleges or polytechnics). In addition to the basic training required for a trade, occupation or profession, observers of the labor-market recognize as of 2008<sup>[update]</sup> 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 usually refers to some kind of organized (and finite it time) event — a seminar, workshop that has a specific beginning data 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.

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 learns about the job, that's really employee development. If a manager coaches and 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.

In other words employee development is a broader term that includes training as one, and only one of its methods for encouraging employee learning. The important point here is that different activities are better for the achievement of different results. For example, if the desire is provide an employee with a better understanding of how the department works, job rotation might work very well. If the goal is to improve the employee's ability to use a computer based accounting package direct training would be more appropriate than, let's say, job rotation.

## **TRAINING AND DEVELOPMENT OBJECTIVES**

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 learning 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 emphasizing the growth and development of personnel include

- 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.

Research has shown specific benefits that a small business receives from training and developing its 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.

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## **6.2 Need for Employee Training**

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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:

1. 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.
2. The existing employees are trained to refresh and enhance their knowledge.
3. If any updations and amendments take place in technology, training is given to cope up with those changes. For instance, purchasing new equipment, changes in technique of production, computer impartment. The employees are trained about use of new equipments and work methods.
4. 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 (1) where training is needed and (2) 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.

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### 6.3 Importance

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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:

1. **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.
2. **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.
3. **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.
4. **Chances of Promotion-** Employees acquire skills and efficiency during training. They become more eligible for promotion. They become an asset for the organization.
5. **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.

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### 6.4 Types of Employee Training

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Some commentators use a similar term for workplace learning to improve performance: "training and development". One can generally categorize such training as on-the-job or off-the-job:

- 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.
- 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.

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.

On the Job Training is characterized by following points

- 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:

1. The participant observes a more experienced, knowledgeable, and skilled trainer (employee)
2. The method, process, and techniques are well discussed before, during and after trainer has explained about performing the tasks
3. When the trainee is prepared, the trainee starts performing on the work place
4. The trainer provides continuing direction of work and feedback
5. The trainee is given more and more work so that he accomplishes the job flawlessly

The four techniques for on the job development are:

- COACHING
- MENTORING
- JOB ROTATION
- JOB INSTRUCTION TECHNIQUE (JIT)

**1.) 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 CEO
- 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.

1. Understand the participant's job, the knowledge, skills, and attitudes, and resources required to meet the desired expectation
2. Meet the participant and mutually agree on the objective that has to be achieved
3. Mutually arrive at a plan and schedule
4. At the job, show the participant how to achieve the objectives, observe the performance and then provide feedback
5. 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.

**2.) 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

**3.)** For the executive, **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 regular 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 designations that are crucial for the effective and efficient functioning of the organization.

Some of the major benefits of job rotation are:

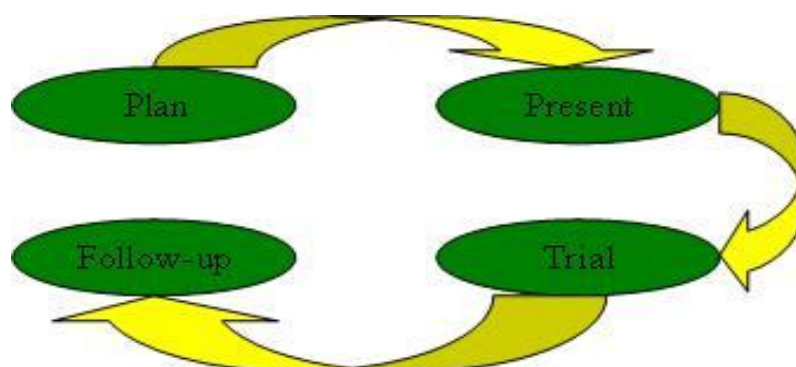
- It provides the employees with opportunities to broaden the horizon of knowledge, skills, and abilities by working in different departments, business units, functions, and countries
- Identification of Knowledge, skills, and attitudes (KSAs) required
- It determines the areas where improvement is required
- Assessment of the employees who have the potential and caliber for filling the position

**4.) 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.



**Figure 6.1 : Steps in JIT**

**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 into 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 –**

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

**1.) 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



**Figure 6.2 Procedure of Sensitivity Training**

**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.

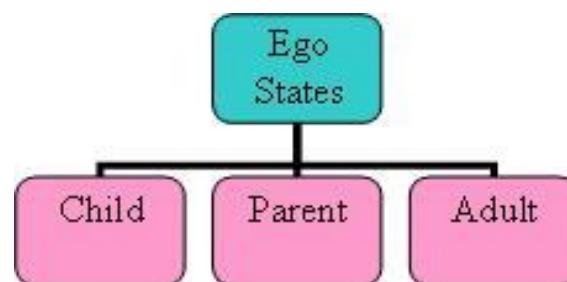
**Refreezing the new ones** – This step depends upon how much opportunity the trainees get to practice their new behaviors and values at their work place.

**2.) 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.

**Transactional analysis** 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.



**Figure 6.3**

**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.

**3.) 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.

**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:

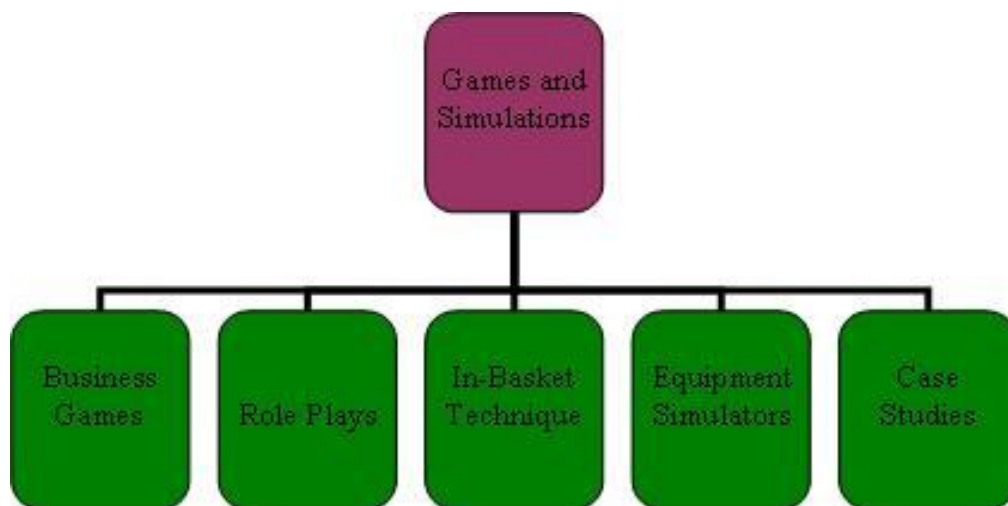
- Inability to identify and correct misunderstandings
- Less expensive
- Can be reached large number of people at once
- Knowledge building exercise
- Less effective because lectures require long periods of trainee inactivity

**4.) 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 modeling, 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:



**Figure 6.4**

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. The various methods that come under Games and Simulations are:

- BEHAVIOR-MODELLING
- BUSINESS GAMES
- CASE STUDIES

- EQUIPMENT STIMULATORS
- IN-BASKET TECHNIQUE
- ROLE PLAYS

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## 6.5 Objectives and Process of Employee Training

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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** 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? and “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** 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** 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, the use of various training methods, good communication skills and trainee participation.

**Step 4** 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.

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## **6.6 Advantages of On the Job Training Methods**

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On the job training method has the following advantages that can be considered:

- Generally most cost-effective
- Employees are actually productive
- Opportunity to learn whilst doing
- Training alongside real colleagues.
- Training can be delivered on time and at the optimum time.
- The trainee will have the good opportunities to practice and implement.
- The trainee will have feedbacks.
- Trainee builds confidence by working with own speed and productivity.

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## 6.7 Summary

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The unit begins with an introduction of the concept and explains the importance of training. It explains the difference between training and development and defines the utility and purpose of training, the levels of training, the need and importance of training, and the benefits of training to the individual and the organization. It expounds on the philosophy of training, process of training and purpose or objectives of training.

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## 6.8 Self Assessment Questions

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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.

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## Unit - 7 : Executive Development

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### Structure of Unit:

- 7.1 Objectives
- 7.2 Introduction
- 7.3 Importance and Factor Influencing Executive Development
- 7.4 Process
- 7.5 Methods of Executive Development
- 7.6 Career Planning and Development
  - 7.6.1 Objective
  - 7.6.2 Process
- 7.7 Summary
- 7.8 Self Assessment Questions
- 7.9 Reference Books

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### 7.1 Objectives

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After completing this unit, you would be able to:

- Understand the methods of executive development;
- Point out various career planning processes;
- Know about various pros and cons of these processes;
- Learn and appreciate the significance career planning to society;

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### 7.2 Introduction

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It is also known as ‘management development’ or ‘executive 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.

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.

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

**According to 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.”

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.

Executive development Program (EDP) 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-

- 1) **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.
- 2) **Management Audit and Appraisal:** there shall be regular feedback sessions to check as to whether we are reaching where we are supposed to reach.
- 3) **Analysis of Development Needs:** here the problem that has been uncovered shall be tried to and remedied via a development program.
- 4) **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.

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### 7.3 Importance and Factors Influencing Executive Development

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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 labors.
- Executives need training and education to understand and adjust to changes in socio-economic changes.
- Executive development is required to broaden the outlook of managers.

#### Factors Influencing Executive Development

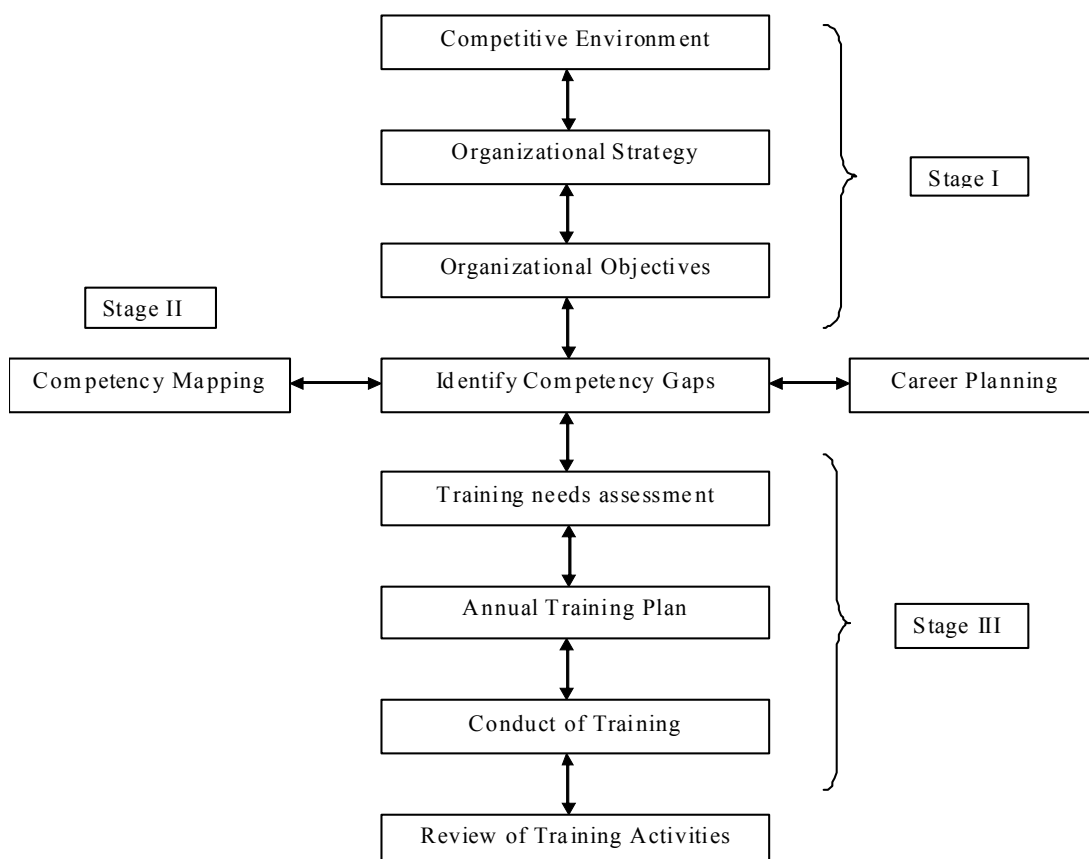
A host of factors influencing the executive development processes in organizations are as follows:-

- 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.

## 7.4 Process

Contemporary organizations have realized the importance of human capital and increasingly finding it 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 process of arriving at the development needs of the executives can be comprehensively viewed through the process given in Fig. -



**Figure 7.1 : Executive Development Process**

## **The Process of Executive Development**

**Stage I:** In the Stage I, at the macro level, there are three key elements are 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/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 and 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 the all 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. If entire process of executive development is mostly determined by its efficacy and its effectiveness.

Apart from this the process of executive development can be defined in several other ways with slight difference.

The process of executive development is as follows:

- 1. 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.
- 2. 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.
- 3. 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.
- 4. Establishing Training and Development Programme:** The HR department prepares comprehensive and well conceived programmes.

- 5. 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.

### **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.

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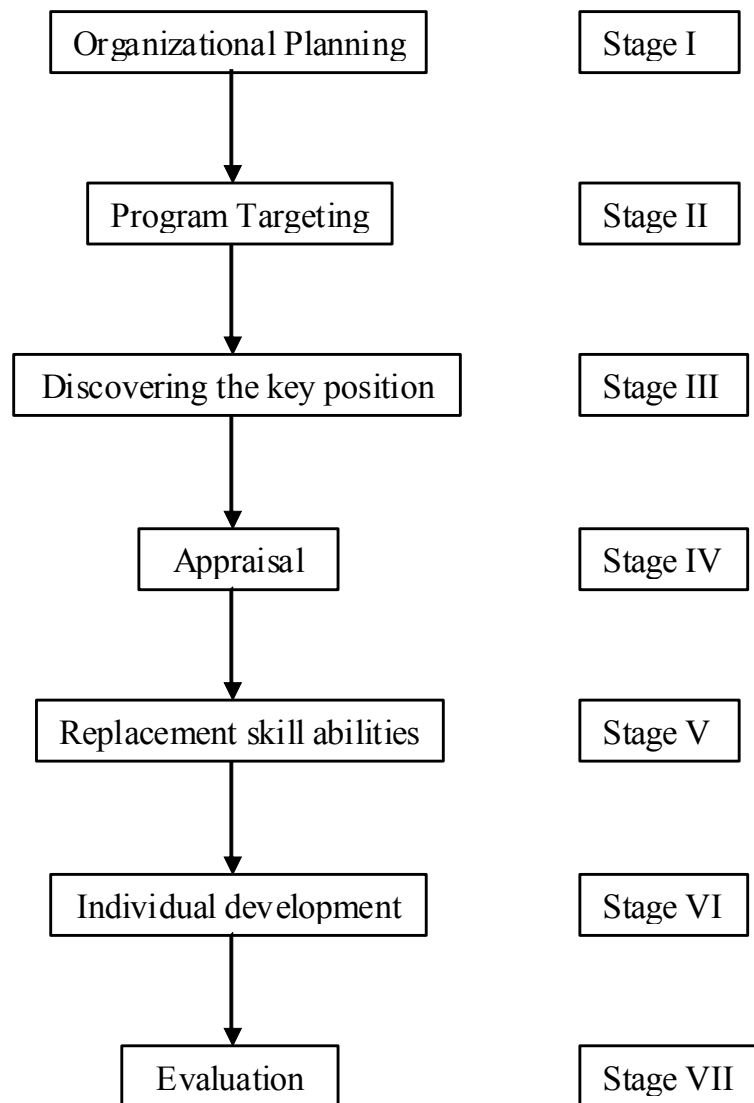
## **7.5 Methods of Executive Development**

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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:

<b>S. No.</b>	<b>Competency Development Area</b>	<b>Methods</b>
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 7.2 : Stages of Managerial Training**

In all above stages, we should satisfy the following essential aspects in order to make the programmes a success:

1. Policy decisions
2. Acceptance
3. Appreciation
4. Support
5. Conductive atmosphere
6. Strong urge for learning
7. Participation
8. Identification of strength and weakness
9. Involvement
10. Self-development

A number of executive development methods are available. Generally these methods are used in combination of two or more.

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

**1. 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.

**2. 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.

- **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.

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## 7.6 Career Planning and Development

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Career development is an organized approach used to match employee goals with the business needs of the agency in support of workforce development initiatives. The purpose of career development is to:

- Enhance each employee's current job performance.
- Enable individuals to take advantage of future job opportunities.
- Fulfil agencies' goals for a dynamic and effective workforce.

Career development involves managing your career either within or between organizations. It also includes learning new skills, and making improvements to help you in your career. Career development is an ongoing, lifelong process to help you learn and achieve more in your career. Whether you are looking at making a career change, or moving up within a company, planning your own career development will help you succeed. By creating a personal career development plan, you can set goals and objectives for your own personal career growth. Don't make the mistake of leaving your career development future in the hands of your employer, hoping that you will get the next promotion or pay raise. This misconception can lead to job dissatisfaction and resentment. Career planning is a lifelong process, which includes choosing an occupation, getting a job, growing in our job, possibly changing careers, and eventually retiring. The Career Planning Site offers coverage of all these areas. This article will focus on career choice and the process one goes through in selecting an occupation. This may happen once in our lifetimes, but it is more likely to happen several times as we first define and then redefine ourselves and our goals.

Managers are responsible for linking the organization's needs to employee career goals, and can assist employees in the career planning process. Human Resources is responsible for designing career paths and employee development programs that help employees reach their goals. Each employee is responsible for planning and managing his/her career.

### 7.6.1 Objective

Career Management is the combination of structured planning and the active management choice of one's own professional career. The outcome of successful career management should include personal fulfillment, work/life balance, goal achievement and financial assurance.

The word career refers to all types of employment ranging from semi-skilled through skilled, and semi professional to professional. The term career has often been restricted to suggest an employment commitment to a single trade skill, profession or business firm for the entire working life of a person. In recent years, however, career now refers to changes or modifications in employment during the foreseeable future. There are many definitions by management scholars of the stages in the managerial process. The following classification system with minor variations is widely used:

1. Development of overall goals and objectives,
2. Development of a strategy (a general means to accomplish the selected goals/objectives),
3. Development of the specific means (policies, rules, procedures and activities) to implement the strategy, and



4. Systematic evaluation of the progress toward the achievement of the selected goals/objectives to modify the strategy, if necessary.

The career management process begins with setting goals/objectives. A relatively specific goal/objective must be formulated. This task may be quite difficult when the individual lacks knowledge of career opportunities and/or is not fully aware of their talents and abilities. However, the entire career management process is based on the establishment of defined goals/objectives whether specific or general in nature. Utilizing career assessments may be a critical step in identifying opportunities and career paths that most resonate with someone. Career assessments can range from quick and informal like those on CareerBuilder or may be more in depth like those such as Myers-Briggs and Career Leader supported assessments found on My Path. Regardless of the ones you use, you will need to evaluate them. Most assessments found today for free (although good) do not offer an in-depth evaluation.

The time horizon for the achievement of the selected goals or objectives - short term, medium term or long term - will have a major influence on their formulation.

1. Short term goals (one or two years) are usually specific and limited in scope. Short term goals are easier to formulate. Make sure they are achievable and relate to your longer term career goals.
2. Intermediate goals (3 to 20 years) tend to be less specific and more open ended than short term goals. Both intermediate and long term goals are more difficult to formulate than short term goals because there are so many unknowns about the future.
3. Long term goals (more than 100 years), of course, are the most fluid of all. Lack of life experience and knowledge about potential opportunities and pitfalls make the formulation of long term goals/objectives very difficult. Long range goals/objectives, however, may be easily modified as additional information is received without a great loss of career efforts because of experience/knowledge transfer from one career to another.
4. 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.
5. 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.
6. 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.
7. 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.

Career development, as both a field of study and a practical form of training for workers, is primarily concerned with producing better employees and maximizing employee potential. Career development programs can help the unemployed find jobs or provide workers with the skills and tools they need to advance within a government agency, corporation or organization.

**Self-Awareness-** One of the major objectives of any career development program is a heightened sense of self-awareness for participants. Employees should be able to identify their strengths and weaknesses, in order to apply their skills more effectively. Understanding shortcomings is also useful in teaching employees where to focus efforts toward improvements. Self-awareness is also related to understanding the difference

between real and perceived career advancement limitations. By examining available opportunities and making an honest assessment of an employee's skills, career development seeks to give every employee a realistic outlook on the future.

**Flexibility-** Career development also sets enhanced flexibility as a goal. Employees work in a changing world and adaptation is an essential skill. This may mean abandoning practices that have worked in the past, or devoting time to education and new training. Employees who find themselves unable to adapt in a changing workplace may suffer from decreased productivity or be unable to compete with workers whose skills are more flexible and easier to apply across a range of tasks.

**Education-** Education is among the more straightforward objectives of career development. Such programs attempt to give employees, or prospective employees, access to information about job opportunities and options for skills training. Following up with such employees is an important objective as well, since this gives those who work in career development a way of measuring the program's effectiveness.

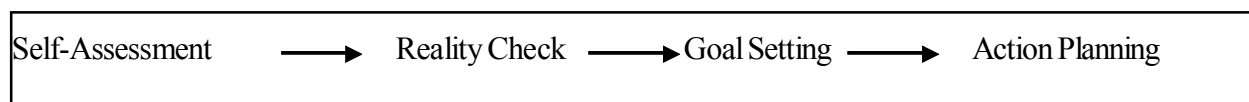
**Sensitivity to Diversity-** Many career development programs make sensitivity to diversity in the workplace a top priority. With ever-increasing globalization, workers are frequently put into contact with members of different backgrounds and cultures. Understanding the value of diverse work habits and viewpoints can prevent this from becoming a point of confusion or misunderstanding. At the same time, educating workers about the customs and concerns of others can help prevent social problems or embarrassment in a diverse workplace.

### 7.6.2 Process

Career development and the career planning process include a number of specific steps that help to identify personal skills and attributes. Finding out how those skills can be utilized in the job market is accomplished by researching a number of career fields that are of interest to you and then by gaining experience in those fields and/or speaking to people currently working in the field. Participating in some form of experiential education will help you to identify if the field is the right choice for you.

#### Step #1: Self-Assessment

Evaluating who you are as a person. This involves taking a personal inventory of who you are and identifying your individual values, interests, skills, and personal qualities. What makes you tick as a person? You will look at those personal attributes under a microscope and come up with key qualities you can identify and use in your search for the perfect career. Career assessments may be required to promote a better understanding of personal attributes and skills. Contact your Career Services Office at your college to discuss if a career assessment may be right for you.



**Figure 7.3 : The Career Management Process**

#### Step #2: Research (Career Exploration)

Obtain an insider's perspective about the career field you are considering. Conduct Informational Interviews in person, phone, or by email. Professionals enjoy sharing their expertise with people interested in the

field. Perform informational interviews with alumni from your college to gain their perspective of the field and to listen to what they have to say. This strategy provides firsthand knowledge from someone currently working in the field and gives you an opportunity to ask about their experiences as well as potential jobs and what one might expect if just entering the field. Gain experience through internships or by job shadowing for one to several days to see what a typical work day entails and to gain perspective of what the environment is like and the typical job responsibilities of someone working in the field. Research what types of jobs are available in your area of interest by checking out Majors to Career Converter, The Occupational Outlook Handbook and The Career Guide to Industries. The Occupational Outlook Handbook offers a wealth of information for those currently just entering the job market and for those anticipating making a career change.

### **Step #3: Decision-Making**

Once you've made a thorough self-assessment and have done some research of career options, it's time to make a decision. This can be difficult since there may still be many unknowns and a fear of making the wrong choice. One thing for sure is that although we can do all the necessary steps to making an informed decision, there is no absolute certainty that we are unquestioningly making the right decision. This uncertainty is easier for some people than others but a key point to remember is that you can always learn from any job you have and take those skills and apply them at your next job.

### **Step#4: Search (Taking Action)**

It's now time to look for prospective jobs and/or employers, send out cover letters and resumes, and begin networking with people in the field. Keep in mind that cover letters and resumes are designed to make a favorable impression on employers (if done properly) and the interview process is what will ultimately land you the job. In other words, make sure your cover letter and resume highlight your skills and strengths based on the employer's needs and that you are fully prepared to knock their socks off at the interview. Take time to research the employer's website prior to the interview, and be prepared to ask thoughtful questions based on your research.

### **Step #5: Acceptance**

Wow! You've completed all of the steps above and you've been accepted into a new and exciting or different job. Congratulations! According to the Bureau of Labor Statistics, 64.1% of people change jobs between 5 and 14 times in their lifetime. Consequently, learning the skills above will increase your chances of gaining meaningful and satisfactory work as well as help you to avoid many of the stresses that occur with changing jobs. By recognizing that change is good (even advantageous), changing jobs can be viewed as a positive experience and need not be as anxiety provoking as it may initially seem. You will continue the process of self-assessment, research, decision-making, and job searching in order to make effective and fulfilling career changes throughout your lifetime.

It is a known fact that most professionals leave an organization due to lack of career growth. Active career development initiatives by a company are a key retention tool to keep the best talent within its fold. It is one of the greatest motivators to keep an employee happy and engaged. But does career planning and development of employees actually make a difference to the productivity of a worker? Most organizations think so, and consider it a part of their critical human resource strategy. From the employees' point of view career development initiatives gives them a clear focus about their career track, the blind spots that they have to overcome and the final goal to be reached. This focused approach works to their advantage from their everyday work to long-term aspirations.

The impact of career development/ succession planning programmes can be seen through the productivity indicator, engagement surveys and reduction in attrition rate. It is in fact a win-win situation for all.

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## 7.7 Summary

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Executive development plays a crucial role in HRM. It is the managers / executives who can determine the destiny of the organization by strategizing, implementing the strategies, and more importantly, leading the employees to higher levels of efficiency and performance. The unit begins with an introduction to the emerging scenario, explains the process of the executive development programme (EDP) in the overall organizational context and also the various stages involved. It explains the factors influencing executive development. Executive development and its inter-relationship with e-learning, and the methods and techniques involved in executive development have been discussed. The factors involved in the design and development of EDP have been discussed in brief and the EDP has been viewed in the context of organization development. The process of planning for the employee from the time of joining to the time of retirement. It also helps in understanding career management from the organization and individual prospective. It also attempts to bring out the differences between career and job, identifies the steps in career planning, and analyses the steps that need to be taken from the individual and employee's point of view for career success.

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## 7.8 Self Assessment Questions

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1. What do you mean by the importance of executive development?
2. Analyse the process involved in the designing and development programmes?
3. Explain the importance and process of career planning?
4. Briefly explain the advantages of career planning in detail?
5. Explain the methodologies of making the evaluation process more objective.

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## Unit - 10 : Compensation and Incentives

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### Structure of Unit:

- 10.0 Objectives
- 10.1 Introduction
- 10.2 Meaning and Definition of Compensation
- 10.3 Objectives of Compensation Planning
- 10.4 Factors Affecting Compensation Planning
- 10.5 Various Modes of Compensation
- 10.6 Incentives
- 10.7 Kinds of Incentives
- 10.8 Fringe Benefits
- 10.9 Kinds of Fringe Benefits
- 10.10 Summary
- 10.11 Self Assessment Questions
- 10.12 Reference Books

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### 10.0 Objectives

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After reading this chapter, you will be able to understand:

- The objective of compensation planning.
- Various factors affecting compensation planning.
- Various modes of compensation.
- Concept of Incentives.
- What are fringe Benefits and its type.

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### 10.1 Introduction

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One of the most difficult functions of personnel management is that of determining rates of monetary compensation. It is not only duty for organisation but also equally important to both the organisation and the employee. It is significant to organisation, because wages and salaries constitute the greatest single cost of doing business and it important to the employer because the earning is the only means of economics survival; it is the mean that influence the standard of living, status in society, work as motivational factor, loyalty and productivity.

Compensation is a tool used by management for a variety of purpose to further the existence of the company. It is a remuneration that an employee receives in return for his or her contribution in the organisation. So, the employee compensation programs are designed to attract capable employees to the organisation, to motivate them towards superior performance and to retain their services over an extended period of time.

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### 10.2 Meaning and Definition of Compensation

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In layman's language the word 'compensation' means something, such as money, given or received as payment for service. The word compensation may be defined as money received in the performance of work, plus the many kinds of benefits and services that organization provides their employee. It refers to wide range of financial and non-financial rewards to employee for their service rendered to the organization. It is paid in the form of wages, salaries, special allowance and employee benefits such as paid vacation, insurance, maternity leaves, free travel facility, retirement benefits etc.

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

Wages are the remuneration paid for skilled, semi-skilled and unskilled operative workforce. Salary is the remuneration of those employees who provides mental labour to the employer such as supervisor, office staff, executive etc wages are paid on daily or hourly basis where as salary is paid on monthly basis.

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### 10.3 Objectives of Compensation Planning

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The basic purpose or objective of establishing sound compensation is to establish and maintain an equitable rewards system. The other aim is the establishment and maintenance of an equitable compensation structure i.e an optimal balancing of conflicting personnel interest so that the satisfaction of employees and employers is maximised and conflicts minimized, the compensation management is concerned with the financial aspect of employees need, motivation and rewards.

A sound compensation structure tries to achieve these objectives:

- To attract manpower in a competitive market.
- To control wages and salaries and labour costs by determining rate change and frequency of increment.
- To maintain satisfaction of employees by exhibiting that remuneration is fair adequate and equitable.
- To induce and improved performance, money is an effective motivator.

#### a) To Employees:

- i. Employees are paid according to requirement of their jobs i.e highly skilled jobs are paid more compensation than low skilled jobs. This eliminates inequalities.
- ii. The chances of favouritism are minimised.
- iii. Jobs sequence and lines of promotion are established wherever they are applicable.
- iv. Employee's moral and motivation are increased because of the sound compensation structure.

#### b) To Employers:

- i. They can systematically plan for and control the turnover in the organization.
- ii. A sound compensation structure reduces the likelihood of friction and grievance over remunerations.
- iii. It enhance an employee morale and motivation because adequate and fairly administrative incentives are basis to his wants and need.
- iv. It attracts qualified employees by ensuring and adequate payment for all the jobs.
- v. In dealing with a trade union, they can explain the basis of their wages programme because it is based upon a systematic analysis of jobs and wages facts.

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### 10.4 Factors Affecting Compensation Planning

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Factors determining compensation of an employee considerable amount of guess word and negotiation are involved. But following are the certain factors which have been extracted as having an important bearing upon the final decision:

- a) **Supply and Demand of Labour:** Whatever the organization produces as commodity they desire services and it must pay a price that of workers acting in concert. If more the labour is required, such as at war time prosperity, there will be tendency to increase the compensation; whereas the situation when anything works to decrease the supply of labour, such as restriction by a particular

labour union, there will be a tendency to increase the compensation. The reverse of each situation is likely to result in a decrease in employee compensation, provided, labour union, ability to pay, productivity, government do not intervene.

- b) **Ability to Pay:** Labour Unions has often demanded an increase in compensation on the basis that the firm is prosperous and able to pay.
- c) **Management's Philosophy:** Management's desire to maintain or improve moral, attract high calibre employees, reduce turnover, and improve employees standard of living also affect wages, as does the relative importance of a given position to a firm.
- d) **Legislation:** Legislation related to plays a vital role in determining internal organization practices. Various acts are prescribed by government of country for wage hours laws. Wage-hour laws set limits on minimum wages to be paid and maximum hours to be worked. In India minimum wages act 1948 reflecting the wage policy for an organization and fixation of minimum rates of wages to workers in sweated industries. In 1976 equal remuneration act was enacted which prohibits discrimination in matters relating to remuneration on the basis of religion, region or gender.

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## 10.5 Various Modes of Compensation

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Various modes of compensation are as follows-

- a) **Wages and Salary-** Wages represent hourly rates of pay and salary refers to monthly rate of pay irrespective of the number of hours worked. They are subject to annual increments. They differ from employee to employee and depend upon the nature of jobs, seniority and merit.
- b) **Incentives-** These are also known as payment by results. These are paid in addition to wages and salaries. Incentive depends upon productivity, sales, profit or cost reduction efforts. Incentive scheme are of two types:
  - Individual incentive schemes.
  - Group incentive schemes.
- c) **Fringe Benefits-** These are given to employees in the form of benefits such as provident fund, gratuity, medical care, hospitalization, accident relief, health insurance, canteen, uniform etc.
- d) **Non- Monetary Benefits-** They include challenging job responsibilities, recognition of merit, growth prospects, competent supervision, comfortable working condition, job sharing and flexi time.

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## 10.6 Incentives

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Incentives are monetary benefits paid to workmen in lieu of their outstanding performance. Incentives vary from individual to individual and from period to period for the same individual. They are universal and are paid in every sector. It works as motivational force to work for their performance as incentive forms the part total remuneration. Incentives when added to salary increase the earning thus increase the standard of living. The advantage of incentive payment are reduced supervision, better utilisation of equipment, reduced scrap, reduced lost time, reduced absenteeism and turnover & increased output.

**According to Burack & Smith,** “An incentive scheme is a plan or programme to motivate individual or group on performance. An incentive programme is most frequently built on monetary rewards ( incentive pay or monetary bonus ), but may also include a variety of non monetary rewards or prizes.”

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## 10.7 Kinds of Incentives

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Incentives can be classified under the following categories:

1. Individual and Organizational Incentives
2. Financial and Non-Financial Incentives
3. Positive and Negative Incentives

**1) Individual and Organizational Incentives-** According to L.G. Magginson, “Individual incentives are the extra compensation paid to an individual for all production over a specified magnitude which stems from his exercise of more than normal skill, effort or concentration when accomplished in a predetermined way involving standard tools, facilities and materials.” Individual performance is measured to calculate incentive whereas organizational or group incentive involve cooperation among employees, management and union and purport to accomplish broader objectives such as an organization-wide reduction in labour, material and supply costs, strengthening of employee loyalty to company, harmonious management and decreased turnover and absenteeism

### **I) Individual Incentive System is of two types:**

- a) Time based System- It includes Halsey Plan, Rowan Plan, Emerson Plan and Bedeaux Plan
- b) Production based System- it includes Taylor’s Differential Piece Rate System, Gantt’s Task and Bonus Plan

### **II) Group Incentive System is of following types**

- a) Scalton Plan
- b) Priestman’s Plan
- c) Co-Partnership Plan
- d) Profit Sharing

Some important these plans of incentive wage payments are as follows:

**Halsey Plan-** Under this plan a standard time is fixed in advance for completing a work. Bonus is rewarded to the worker who perform his work in less than the standard time and paid wages according to the time wage system for the saved time.

**The total earnings of the worker = wages for the actual time + bonus**

Bonus = 33.5% of the time saved (standard time set on past experience)

Or

50% of the time saved (standard are scientifically set)

Example: Time required to complete job (S) = 20 hours

Actual Time taken (T) = 15 hours

Hourly Rate of Pay (R) = Rs 1.5

Calculate the wage of the worker.

Solution:  $T \times R + \frac{(S-T)}{2} \times R$

$$15 \times 1.5 + \frac{(20-15)}{2} \times 1.5 = 22.5 + 3.75 = 26.25 \text{ Rs}$$

In this equation 3.75 Rs are the incentives for saving 5 hours.

**Rowan Plan** – Under this method minimum wages are guaranteed given to worker at the ordinary rate for the time taken to complete the work. Bonus is that proportion of the wages of the time taken which the time saved bears to the standard time allowed.



**Incentive = Wages for actual time for completing the work + Bonus** where,

$$\text{Bonus} = \frac{S-T}{S} \times T \times R$$

**Emerson Plan** – Under this system, wages on the time basis are guaranteed even to those workers whose output is below the standard. The workers who prove efficient are paid a bonus. For the purpose of determining efficiency, either the standard output per unit of time is fixed, or the standard time for a job is determined, and efficiency is determined on the basis of a comparison of actual performance against the standard.

**Bedeaux Plan** – It provide comparable standards for all workers. The value of time saved is divided both to the worker and his supervisor in the ratio of  $\frac{3}{4}$  and  $\frac{1}{4}$  respectively. A supervisor also helps a worker in saving his time so he is also given some benefit in this method. The standard time for each job is determined in terms of minutes which are called Bedeaux points or B's. each B represents one minute through time and motion study. A worker is paid time wages upto standard B's or 100% performance. Bonus is paid when actual performance exceeds standard performance in terms of B's.

**Taylor's Differential Piece Rate System** - F.W. Taylor, founder of the scientific management evolved this system of wage payment. Under this system, there is no guarantee of minimum wages. Standard time and standard work is determined on the basis of time study. The main characteristics of this system is that two rates of wage one lower and one higher are fixed. Those who fail in attaining the standard, are paid at a lower rate and those exceeding the standard or just attaining the standard get higher rate. Under this system, a serve penalty is imposed on the inefficient workers because they get the wages at lower rates. The basic idea underlying in this scheme is to induce the worker at least to attain the standard but at the same time if a worker is relatively less efficient, he will lose much. For example, the standard is fixed at 40 units per day and the piece rate are 40 P. and 50 P. per unit. If a worker produces 40 units or more in a day, he will get the wages at the rate of 50 P per unit and if he produces 39 units will get the wages at 40 paise per unit for the total output.

**Gantt's Task and Bonus Plan** - In this, a minimum wage is guaranteed. Minimum wage is given to anybody, who completes the job in standard time. If the job is completed in less time, then there is a hike in wage-rate. This hike varies between 25% to 50% of the standard rate.

**Profit Sharing** – It is a method of remuneration under which an employer pay his employees a share in form of percentage from the net profits of an enterprise, in addition to regular wages at fixed intervals of time.

**2) Financial and Non-financial Incentives-** Individual or group performance can be measured in financial terms. It means that their performance is rewarded in money or cash as it has a great impact on motivation as a symbol of accomplishment. These incentives form visible and tangible rewards provided in recognition of accomplishment. Financial incentives include salary, premium, reward, dividend, income on investment etc. On the other hand, non-financial incentives are that social and psychological attraction which encourages people to do the work efficiently and effectively. Non-financial incentive can be delegation of responsibility, lack of fear, worker's participation, title or promotion, constructive attitude, security of service, good leadership etc..

**3) Positive and Negative Incentives-** Positive incentives are those agreeable factors related to work situation which prompt an individual to attain or excel the standards or objectives set for him, where as

negative incentives are those disagreeable factors in a work situation which an individual wants to avoid and strives to accomplish the standards required on his or her part. Positive incentive may include expected promotion, worker's preference, competition with fellow workers and own 's record etc. Negative incentives include fear of lay off, discharge, reduction of salary, disapproval by employer etc.

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## 10.8 Fringe Benefits

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Employees are paid several benefits in addition to wages, salary, allowances and bonus. These benefits and services are called 'fringe benefits' because these are offered by the employer as a fringe. Employees of the organization are provided several benefits and services by the employer to maintain and promote employee's favorable attitude towards the work and work environment. It not only increases their morale but also motivate them. These provided benefits and services forms the part of salary and are generally refereed as fringe benefits.

**According to D. Belcher**, "Fringe benefits are any wage cost not directly connected with the employees productive effort, performance, service or sacrifice". **According to Werther and Davis**, "Fringe embrace a broad range of benefits and services that employees receive as part of their total compensation, package-pay or direct compensation and is based on critical job factors and performance".

**According to Cockman**, "Employee benefits are those benefits which are supplied by an employer to or for the benefits of an employee and which are not in the form of wages, salaries and time rated payments". These are indirect compensation as they are extended condition of employment and are not related to performance directly.

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## 10.9 Kinds of Fringe Benefits

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The various organizations in India offers fringe benefits that may be categorized as follows:

- 1) **Old Age and Retirement Benefits** - these include provident fund schemes, pension schemes, gratuity and medical benefits which are provided to employee after their retirement and during old age as a sense of security about their old age.
- 2) **Workman's Compensation** - these benefits are provided to employee if they are got ignored or die under the working conditions and the sole responsibility is of the employer.
- 3) **Employee Security**- Regular wage and salary is given to employee that gives a feeling of security. Other than this compensation is also given if there is lay-off or retrenchment in an organization.
- 4) **Payment for Time Not Worked** – Under this category of benefits, a worker is provided payment for the work that has been performed by him during holidays and also for the work done during odd shifts. Compensatory holidays for the same number in the same month are given if the worker has not availed weekly holidays.
- 5) **Safety and Health** – Under this benefit workers are provided conditions and requirements regarding working condition with a view to provide safe working environment. Safety and Health measures are also taken care of in order to protect the employees against unhealthy working conditions and accidents.
- 6) **Health Benefits** – Employees are also provided medical services like hospital facility, clinical facility by the organization.

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## 10.10 Summary

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- Compensation are monetary and non-monetary benefits design to attract, retain and motivate workers of the organisation.
- Compensation are depend on labour market conditions, legislations, management philosophy and organisations ability to pay.

- Broad objectives of the compensation planning is to assign a monetary value to each job or skill set in the organisation.
- Incentive plans and fringe benefits are the modes of compensation.
- Incentive plans used in industries are both for individual and group. Individual incentives are based on individual performance and group incentives rewards employees for their collective performance.
- Compensation in addition to direct wages or salaries such as company car, paid holidays, retirement benefits, health and safety benefits, workman's compensation are known as fringe benefits. Purpose of fringe benefits is to increase the economic security of employees.

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### 10.11 Self Assessment Questions

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- 1 Describe compensation and its various modes?
- 2 Explain various factors affecting compensation planning?
- 3 What do you understand by individual and group incentive? Discuss them with their relative advantage and demerits?
- 4 What do you understand by fringe benefits? What are its essential features?
- 5 Write Short Notes on:
  - i. Halsey Premium Plan
  - ii. Safety & Health measures.
  - iii. Rowan Plan.

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### 10.12 Reference Books

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- K.Aswathappa;”Human Resource and Personnel Management- Text and cases”;Tata Mcgraw Hill Publishing company Ltd, New Delhi, 4<sup>th</sup> edition 2005
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## Unit - 9 : Wage and Salary Administration

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### Structure of Unit:

- 9.0 Objectives
- 9.1 Introduction
- 9.2 Principles of Wage and Salary Administration
- 9.3 Essentials of Sound Wage and Salary Administration
- 9.4 Factors Affecting Wage and Salary Administration
- 9.5 Methods of Wage Payments
- 9.6 Process of Wage Determination
- 9.7 Summary
- 9.8 Self Assessment Questions
- 9.9 Reference Books

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### 9.0 Objectives

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After Completing the unit you would be able to:

- Understand the significance of Wage and Salary Administration in the organization;
- Learn about principles of Wage and Salary Administration;
- Know some of the prerequisites for sound compensation management;
- Understand major factors affecting Wage and Salary determination in an organization;
- Know in detail methods of wage payments;
- Learn how wages are determined in an organization.

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### 9.1 Introduction

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Employees' compensation is one of the major determinants of employee satisfaction in an organization. The compensation policy and the reward system of an organization are viewed by the employee as indicators of the management's attitude and concern for them. It is not just the compensation in tota, but its fairness as perceived by the employees that determines the success of a wage and salary administration system. Hence, it very important for the management to design and implement its compensation system with utmost care and tact. A good wage and salary administration should be able to attract and retain employees, give them fair deal, keep the organization competitive and motivate employees to perform their best.

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 or 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 from compensation package of an employee.

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## 9.2 Principles of Wage and Salary Administration

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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.

- 1) 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.
- 2) 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.
- 3) Matching employees' expectations and it should avoid unjustified discrimination by providing equal pay for equal work.
- 4) Reinforcing positive employee behavior and contribution to the organization, differences in the compensation package should be based on contribution, productivity, job performance, achievement etc.
- 5) 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.
- 6) The compensation system should formulate and define rules and regulations for determining, changing, adjusting wages in the organization.
- 7) The compensation package must ensure fairness, should maintain harmonious relationship between the employee and employer.
- 8) Compensation system should be flexible enough so that future changes can be incorporated.
- 9) The wage and salary administration should take care of and comply all the rules and regulations laid down by the legislator for protecting the employees' interest.
- 10) Optimization of management and employee interests.

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## 9.3 Essentials of Sound Wage and Salary Administration

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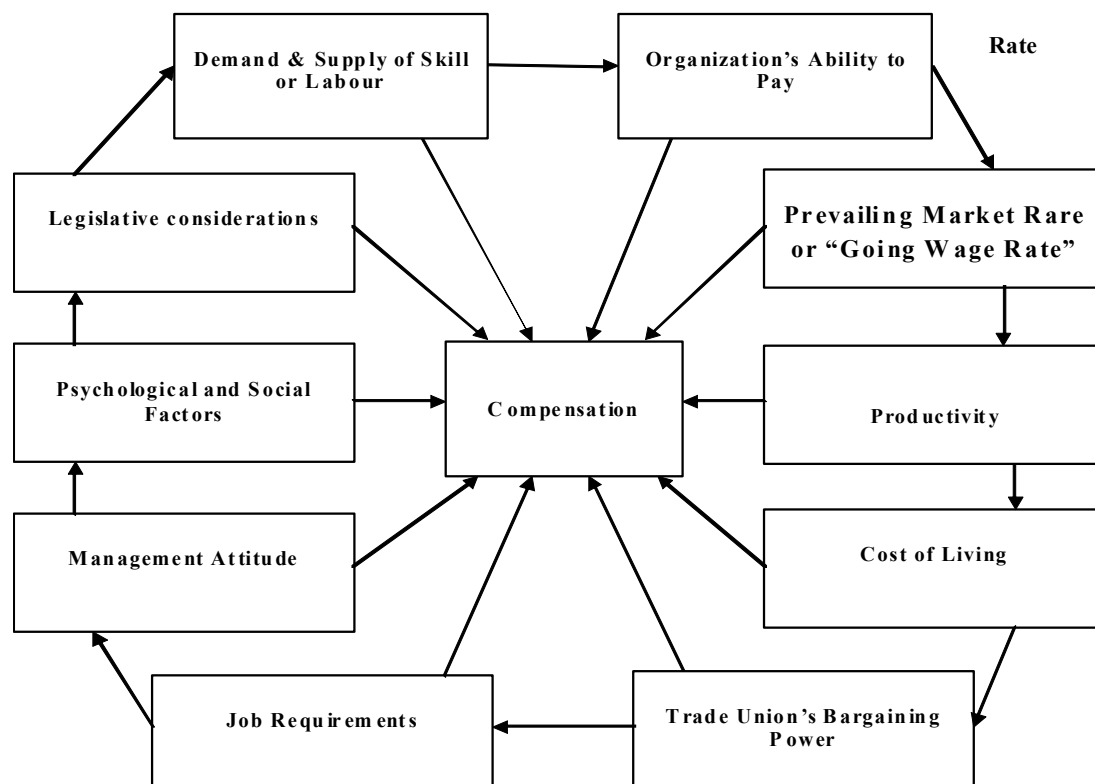
Sound Wage and salary administration demands some essentials to satisfy, so that one who is shoulder with the responsibility of designing administrative aspects with this regards, may come out with efficient system for managing the issues related with it. Some of the pre requisites for the sound compensation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

## 9.4 Factors affecting Wage and Salary Administration

The term employees remuneration includes both wages and salaries. Wages are commonly considered as the price of labor 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:



**Figure 9.1 : Factors Affecting Wage and Salary Administration**

- 1) **Demand and Supply:** Demand for and supply of labor and its availability will have great influence on the determination of wage rates. If there is a shortage of labor, the wages demanded will be high. If, on the other hand labor 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 labor 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.
- 2) **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.
- 3) **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 principal 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.
- 4) **Productivity:** Productivity is measured in terms of output per man hour. It a result of several factors such as technology, labor 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 is has always remain at a discretion of management policies.
- 5) **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 leaving affect purchasing power of the person. Trade union also considers this as a base for collective bargaining on wage issues.
- 6) **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.
- 7) **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. Wage or compensation package vary in accordance with job description and job specification.

- 8) **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.
- 9) **Psychological and Social Factors:** Psychologically person 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 people feels 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.
- 10) **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.

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## 9.5 Methods of Wage Payments

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Wage plans are mainly micro plans and each company may devise any of the wage plans. Basically there are two methods for wage payments, viz. (1) Time rate wage system; and (2) Piece rate wage system. The wage paid to labor 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:

- I. **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:** 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

**II. 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 than 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 labor 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:** 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.

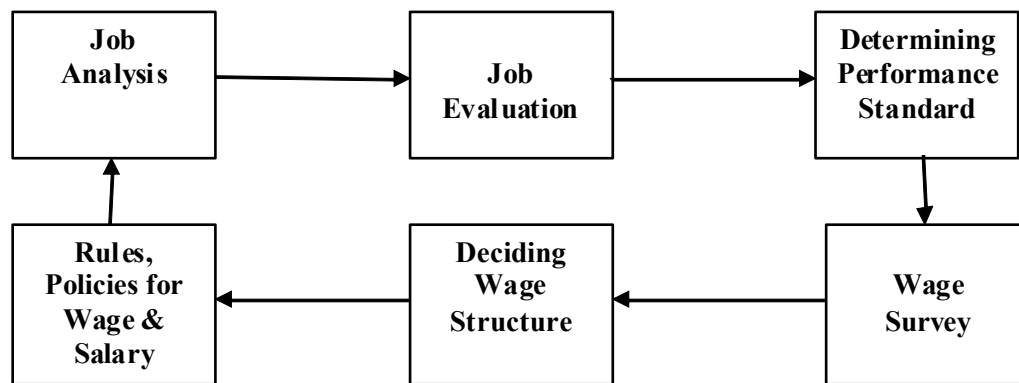
**III. Balance and Debt System:** This system combines time rate and piece rate. Under it a minimum weekly wage is guaranteed for a full weeks' work, with an alternative piece-rate determined by the rate fixed on the assumption that the worker would put enough effort to earn his minimum wage. If the 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 10 pieces during the week in order to earn the minimum wage of Rs.60, the piece rate has been fixed at a rate of Rs.6 per unit. If the worker produces 12 units within the week, his earning will be Rs.72. If on the other hand he produces only 9 units , he will still be paid Rs. 60 his minimum weekly wage but as on the basis of piece rate his earning should amount to only Rs. 54, the sum of Rs. 6 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.

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## 9.6 Process of Wage Determination

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Practically how wages are determined and maintained or administered in an organization is very 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:



**Figure 9.2: Job Analysis**

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 its contribution and significance to the overall organizational objectives.
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.
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 unjustified discriminations and exploitation of workers otherwise it may prove counterproductive and may give rise to grievance, and industrial disputes.

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## 9.7 Summary

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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.

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## 9.8 Self Assessment Questions

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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. Discuss in detail different factors that generally affect compensation decision of an organization.
3. What are the methods generally available to an organization for making wage payments? Discuss their suitability together with their merits and demerits.
4. Elaborate standard procedure or mechanism that an organization follows for determining Wage and salary structure together with the rationality attached with each step.

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## 9.9 Reference Books

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- Principles of personnel Management-Edwin flippo
- Personnel Management &Industrial Relations-Yoder (Prentice Hall of India Ltd. New Delhi)
- Personnel Management-C.E.Nrothcott
- Personnel Management –C.B.Mamoria
- Personnel Management-Dr.P.C.Tripathi
- Dynamic Personnel Administration-Management OF Human Resources-M.N.Rudrabasavaraj

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## Unit - 8 : Performance Appraisal

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### Structure of Unit:

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Meaning of Performance Appraisal
- 8.3 Need and Importance of Performance Appraisal
- 8.4 Objectives of Performance Appraisal
- 8.5 Methods of Performance Appraisal
- 8.6 The Performance Appraisal Process
- 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 Effective Performance Appraisal
- 8.12 Summary
- 8.13 Self Assessment Questions
- 8.14 Reference Books

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### 8.0 Objectives

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After completing this unit, you will be able to:

- Understand the concept of performance appraisal;
- State the meaning and importance of performance appraisal;
- Discuss the benefits and problems of appraisal;
- Enumerate the steps in performance appraisal process;
- Outline the objectives of performance appraisal;
- Describe various appraisal methods;
- Outline few performance appraisal practices in India:

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### 8.1 Introduction

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In a casual sense, 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 a 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.

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## 8.2 Meaning of Performance Appraisal

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Performance appraisal system has been defined in many ways. The easiest way to understand the meaning of performance appraisal is as follows:

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. Thus, performance appraisal is a systematic and objective way of evaluating the relative worth or ability of an employee in performing his job. The two aspects of performance appraisal considered to be important are: systematic and objective. The appraisal is said to be systematic when it evaluates all performances in the same manner, by applying the same approach, so that appraisal of different persons are comparable. Such an appraisal is taken from time to time according to plan; it is not left to probability. Thus, both raters' and ratees know the system of performance appraisal and its timing. Appraisal has objectivity also. It's important aspect is that it attempts at precise measurement by trying to remove human biases and prejudices.

**According to Flipppo**, a prominent personality in the field of Human resources, "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."

**In the words of 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."

It is a systematic way of judging the relative worth of an employee while carrying out his work in an organization. It also helps recognize those employees who are performing their tasks well and also- who are not performing their tasks properly and the reasons for such (poor) performance.

**According to 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."

In short, we can say that performance appraisal is expected to result in an assessment of: development potential of the employees, training needs for the employees; capabilities of employees being placed in higher posts, behavior and obedience of the employees; and the need of the organization to evolve a control mechanism.

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### 8.3 Need and Importance of Performance Appraisal

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

- (1) 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.
- (2) 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.
- (3) To provide information about an employee's job-relevant strengths and & weaknesses.
- (4) To provide information so as to identify shortage in employee regarding ability, awareness and find out training and developmental needs.
- (5) To avoid grievances and in disciplinary activities in the organization.
- (6) It is an ongoing process in every large scale organization.

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:

1. **Personal Attention:** Performance appraisal evaluation, gives employee to draw personal concern from supervisor and talk about their own strengths and weaknesses.
2. **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.
3. **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.
4. **Employee Accountability:** Employees are acquainted that their evaluation will take place on a regular basis and therefore they are accountable for their job performance.
5. **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.

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### 8.4 Objectives of Performance Appraisal

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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.

- 1. 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.
- 2. Promotion:** Performance appraisal gives an idea about how an employee is work-ing 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.
- 3. 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.
- 4. 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.
- 5. 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

#### **Activity A:**

1. Currently you are working in a manufacturing organization. Write the objectives of performance appraisal of your organization in the light of those mentioned above.

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### **8.5 Methods of Performance Appraisal**

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Performance appraisal methods are categorized in two ways traditional and modern methods. Each organization adopts a different method of performance appraisal according to the need of organization. In small organization, it may be on an informal basis where personal opinion of a superior about his subordi-nates may consider for appraisal.



**Table 8.2 Methods of Performance Appraisal**

<b>Traditional Methods</b>	<b>Modern Methods</b>
Ranking method	Management by Objectives (MBO)
Paired comparison	Behaviorally anchored rating scales
Grading method	Assessment centers
Forced distribution method	360-degree appraisal
Forced choice method	Cost accounting method
Checklist method	
Critical incidents method	
Graphic scale method	
Essay method	
Field review method	

**1. Ranking Method:** It is the oldest and simplest method of performance appraisal in which employees' are ranked on certain criteria such as trait or characteristic. The employee is ranked from highest to lowest or from worst to best in an organization. Thus if there are seven employees to be ranked then there will be seven ranks from 1 to 7.

Rating scales offer the advantages of flexibility comparatively easy use and low cost. Nearly every type of job can be evaluated with the rating scale, the only condition being that the Job-performance criteria should be changed. In such a way, a large number of employees can be evaluated in a shorter time period.

Thus, the greatest limitation of this method is that differences in ranks do not indicate how much an employee of rank 1 is better than the employee whose rank is last.

**2. Paired Comparison:** In method is comparatively simpler as compared to ranking method. In this method, the evaluator ranks employees by comparing one employee with all other employees in the group. The rater is given slips where, each slip has a pair of names, the rater puts a tick mark next those employee whom he considers to be the better of the two. This employee is compared number of times so as to determine the final ranking.

This method provides comparison of persons in a better way. However, this increases the work as the large number of comparisons has to be made. For example, to rank 50 persons through paired comparison, there will be 1,225 comparisons. Paired comparison method could be employed easily where the numbers of employees to be compared are less.

This may be calculated by a formula  $\frac{N(N-1)}{2}$  where N is the total number of persons to be compared.

Where N is the total number of persons to be evaluated.

For example

If the following five teachers have to be evaluated by the Vice Chancellor of a University : Chinmay (C), Mohan (M), Rohit (R), Vishal (V), and Basanti (B), the above formula gives

$\frac{5(5-1)}{2}$  or 10 pairs. These are;

CwithM,			
CwithR	MwithR		
CwithV	MwithV	RwithV	
CwithB	MwithB	RwithB	VwithB

Thus, the pairs to be compared give the maximum possible combinations in which an employee could be compared with one another. If an employee scores better number of times as compared to other employee is considered better, makes his/her score. Such scores are considered for each worker and he/she is ranked according to his/her score. This method cannot work when large number of employee is compared.

**3. Grading Method:** In this method, certain categories are defined well in advance and employees are put in particular category depending on their traits and characteristics. Such categories may be defined as outstanding, good, average, poor, very poor, or may be in terms of alphabet like A, B, C, D, etc. where A may indicate the best and D indicating the worst. This type of grading method is applied during Semester pattern of examinations. One of the major limitations of this method is that the rater may rate many employees on the better side of their performance.

**4. Forced Distribution Method:** This method was evolved to abolish the trend of rating most of the employees at a higher end of the scale. The fundamental assumption in this method is that employees' performance level conforms to a normal statistical distribution. For example, 10 per cent employees may be rated as excellent, 40 per cent as above average, 20 per cent as average, 10 per cent below average, and 20 per cent as poor. It eliminates or minimizes the favoritism of rating many employees on a higher side. It is simple and easy method to appraise employees. It becomes difficult when the rater has to explain why an employee is placed in a particular grouping as compared to others.

**5. Forced-choice Method:** The forced-choice rating method contains a sequence of question in a statement form with which the rater checks how effectively the statement describes each individual being evaluated in the organization. There may be some variations in the methods and statements used, but the most common method of forced choice contains two statements both of which may be positive or negative. It may be both the statement describes the characteristics of an employee, but the rater is forced to tick only one i.e the most appropriate statement which may be more descriptive of the employee. For example, a rater may be given the following two statements:

- (i) The employee is hard working.
- (ii) The employee gives clear instructions to his subordinates.

Though both of them describe the characteristics of an employee, the rater is forced to tick only one which appears to be more descriptive of the employee. Out of these two statements, only one statement is considered for final analysis of rating. For example, a rater may be given the following two statements:

- (i) The employee is very sincere.
- (ii) Employee gives clear and fast instructions to his subordinates.

Both of the above statements are positive but the rater is supposed to rate only one which is more appropriate of subordinate's behavior. For ranking only one statement is considered. As the rater is not aware about the statement to be considered the result would be free from bias. This method may be more objective but it involves lot of problems in framing of such sets of statements.

**6. Check-list Method:** The main reason for using this method is to reduce the burden of evaluator. In this method of evaluation the evaluator is provided with the appraisal report which consist of series of questions which is related to the appraise. Such questions are prepared in a manner that reflects the behavior of the concerned appraise. Every question has two alternatives, yes or no, as given below:

- 1. Is he/she respected by his/her subordinates? Yes/No
- 2. Is he/she ready to help other employees? Yes/No

### 3. Does her behavior remain same for everyone in the organization? Yes/No

The concerned rater/evaluator has to tick appropriate answers relevant to the appraises.

When the check-list is finished, it is sent to the personnel department to prepare the final scores for all appraises based on all questions based on yes or no. While preparing question effort is made to establish the level of consistency of the rater by asking the same question twice but in a different manner. This method is considered to be easy if questions are framed properly for different categories of employees.

However, one of the disadvantages of the check-list method is that it is very difficult to accumulate, analyze and evaluate a number of statements about employee characteristics and contributions. It is even costly method with lot of time and efforts required by the organization.

**7. Critical Incidents Method:** This method is very useful for finding out those employees who have the highest potential to work in a critical situation. Such an incidence is very important for organization as they get a sense, how a supervisor has handled a situation in the case of sudden trouble in an organization, which gives an idea about his leadership qualities and handling of situation. It is also said to be a continuous appraisal method where employees are appraised continuously by keeping in mind the critical situation. In this method, only the case of sudden trouble and behavior associated with these incidents or trouble are taken for evaluation.

This method is categorized in three steps. First, a list of notable (good or bad) on-the-job behavior of specific incidents or sudden trouble is prepared. Second, selected experts would then assign weightage or score to these incidents according to how serious a particular incident is and their degree of willingness to perform a job. Third, finally a check-list indicating incidents that illustrate workers as good or "bad" is formed. Then, the checklist is given to the rater for evaluating the workers.

The strong point of critical incident method is that it focuses on behaviors and, thus, judge's performance rather than personalities.

Its drawbacks are that too frequently they need to write down the critical incidents which is very time-consuming and burdensome for evaluators, i.e., managers. Generally, negative incidents are more noticeable than positives.

**8. Graphic Scale Method:** It is one of the simplest and most popular techniques for appraising performances of employee. It is also known as linear rating scale. In graphic rating scale the printed appraisal form is used to appraise each employee.

Such forms contain a number of objectives, and trait qualities and characters to be rated like quality of work and amount of work, job knowhow dependability, initiative, attitude, leadership quality and emotional stability.

The rater gives an estimate the extent to which subordinates possess each quality. The extent to which quality is possessed is measured on a scale which can vary from three points to several points. In general practice five-point scales is used. Some organizations use numbers in order to avoid the propensity of the rater to tick mark central points. It may be numbered or defined. Thus numbers like 5, 4, 3, 2 and 1 may denote points for various degrees of excellent-poor, high-low, or good-bad, and so on. Such numbers may be expressed in terms like excellent, very good, average, poor and very poor; or very high, high, average, low and very low.

Graphic scale method is good for measuring various job behaviors of an employee. But, it is bound to limitations of rater's bias while rating employee's behavior at job.

**9. Essay Method:** In this method, the rater writes a detailed description on an employee's characteristics and behavior, Knowledge about organizational policies, procedures and rules, Knowledge about the job, Training and development needs of the employee, strengths, weakness, past performance, potential and suggestions for improvement. It is said to be the encouraging and simple method to use. It does not need difficult formats and specific training to complete it.

**10. Field Review Method:** In this method of appraisal direct superior is not going to appraise an employee but appraised by another person, usually, from personnel department. The rater, in such a case, appraises the employee on the basis of his past records of productivity and other information such as absentee-ism, late coming, etc. It is more suitable in a situation where an organization wants to provide promotion to an employee. It also gives information for comparing employees from different locations and units. It reduces partiality to some extent as personnel department person is supposed to be trained in appraisal mechanism. This method suffers from two limitations:

1. As employees are not rated by immediate boss, the rater from other department may not be familiar with the conditions in an employee's work environment which may hamper his ability and work motivation to perform.
2. The rater from other department do not get a chance to scrutinize the employee's behavior or performance with different time interval and in a variety of situations, but only in an unnaturally structured interview situation which is for a very short period of time.

## **Modern Methods**

**1. 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 is there 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 pre 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 deviate 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.

**2. Behaviorally 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 situation situations. This method has following advantages: a) It reduces rating errors) Behavior is assessed over traits. c) It gives an idea about the behavior to the employee and the rater about which behaviors bring good Performance and which bring bad performance.

**3. 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.

**4. 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 the "on-the-job".

The four major component of 360 degree performance appraisal are

1. Employees Self Appraisal
2. Appraisal by Superior
3. Appraisal by Subordinate
4. 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.

**5. 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:

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

#### **Activity B:**

1. In the light of above mentioned methods of Performance Appraisal select any company of your choice and identify the method used by that company.

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## **8.6 The Performance Appraisal Process**

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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:

1. **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.
2. **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.
3. **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.

4. **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.
5. **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.

6. **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”, whereas 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 the requirement of that Organization.

#### Activity C:

- 1 Assume you are currently operating an appraisal system in your organization. How will you carry out the appraisal process in your organization?

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### 8.7 Factors Affecting Performance Appraisal

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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:

1. **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.
2. **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:

- a) Inclination for work of dynamic nature.
- b) Liking for routine work and strict maintenance of.
- c) Importance on inter-personal relations and rank.
- d) Emphasis on qualities which do not have much functional utility; and
- e) 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.

3. **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 employee who are not loyal to their superior. This makes assessment of superior to be biased.
4. **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.
5. **Factors Hindering Objective Assessment:** There are various factors which obstruct the objective appraisal of the performance of the subordinates. These factors are as follows:
  - a) Superiority complex of the superior reporting officer.
  - b) Overall performance assessment do not take place only certain incidence are assessed.
  - c) Past-record of the subordinate.
  - d) Personality of the subordinate.
  - g) Ability of the subordinate to exercise influence at higher level.

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## 8.8 Benefits of Performance Appraisal

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

### 1) 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.

### 2) 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.

**3) 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.

#### **Activity D:**

1. Suppose you are an evaluator (superior) in your organization. List out the benefit that you would like to get as an appraiser .

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### **8.9 Problems of Performance Appraisal**

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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:

1. 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:
  - (a) 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.
  - (b) 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.
  - (c) 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.
  - (d) 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.
  - (e) 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.
2. The superiors may be unsuccessful in conducting performance appraisal of employees and post performance appraisal interviews.

3. The performance appraisal is mostly based on subjective assessment.
4. The performance appraisal techniques have a low reliability and validity in terms of result.
5. Ratings an employee on the negative side may disturb interpersonal relations and industrial relations system.
6. Appraisers opinion on the performance of the employee may lead to setback on production.
7. An organization may give emphasis to punishment if an employee has not done a good job rather than providing training.
8. Few ratings are based on guess work.

Various other problems of performance appraisal are:

- 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.

#### **Activity E:**

- 1 List out the problem faced by you as a subordinate in your organization in appraising you.

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### **8.10 Performance Appraisal Practices in India**

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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. Other objectives of appraisal were: informing employee where they stand in organization, follow-up interviews, etc.

Every company uses different criteria to evaluate their employees. There are basically three groups of criteria being used for appraisal purpose: (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. 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 are:

- Managerial personnel are allowed to challenge or appeal appraisal decisions made by evaluator.
- Employee 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.

The performance appraisal practice by Dabur India Limited is as follows: The main purpose of performance appraisal system is to evaluate the performance of employee, promote their employees and to make necessary arrangement for their training needs if required.

Employees are evaluated by how well they accomplish a specific set of objectives that have been determined to be critical in the successful completion of their job. 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.

1. 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.
2. Performance measuring, rating and review systems have become more thorough, structured and individual employee specific than before.
3. Appraisal through a 360-degree feedback system takes place
4. 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.

- 1) **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.
- 2) **Team Performance Appraisal:** In this method each employee performance is measured as a team member as well as individually.
- 3) **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. Some of the organizations following this strategy are Ford, Microsoft and Sun Microsystems.

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## 8.11 Effective Performance Appraisal

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The performance appraisal system is always questioned in terms of its effectiveness and the problems of reliability and validity. It is always difficult to know whether what is appraised is what was supposed to be appraised. As long as subjective judgment is there this question cannot be answered perhaps, the following steps can help improve the system.

- a) The supervisors should be told that they themselves will be evaluated on the basis of how seriously they are performing their duties.
- b) To perform assigned task of evaluation in a better way superior should be provided with better training of writing report.
- c) To carry out job evaluation studies and prepares job descriptions/roles and prepares separate forms for various positions in the organization.
- d) The system should be designed in such a way that it is neither difficult to understand nor impossible to practice.
- e) The supervisor should monitor whether the improvement in performance in the areas found weak is taking place or not and, if not, help the employee to achieve the required improvement.
- f) Finally, reviewing, the appraisal systems every now and then help updating it, and making appropriate changes in it. This is the most important factor in making performance appraisal effective, with the passage of time necessary changes in tasks, abilities and skills to perform has to be made. If

changes in the format are not considered the reports may not generate the kind of result needed to satisfy appraisal objectives.

The following measures could also be adopted for improving the effectiveness of an appraisal:

**a) Behaviorally Based Measures:** The research strongly favors behaviorally based measures over those developed around traits. **b) Ongoing Feedback:** Employees like to know how they are performing the duties assigned to them. **c) Multiple Raters:** If a person is evaluated by a large no of superior then chance of getting more frequent information increases **d) Peer Evaluations:** Peer evaluations are conducted by employees' co-workers, people explicitly familiar with the jobs involved mainly because they too are doing the same thing, they are the person who know the co-workers' day to-day work behavior and should get a chance to provide the management with some feedback.

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## 8.12 Summary

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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: (a) halo effect, (b) central tendency error, (c) the leniency and strictness biases, (d) personal prejudice, and (e) the recent effect etc.

The systematic study of performance appraisal practices in India is very limited. Few innovative performance appraisal practices are: 1) Managerial personnel are allowed to challenge or appeal appraisal decisions made by evaluator. 2) Employee management skills are important in performance appraisal. 3) Personnel department gives a clear instruction of policy and its implementation. 4) Evaluation to be made only on the basis of performance of employee at work. 5) It has also enhanced role clarity in the Organization.

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. It is always questioned in terms of its effectiveness and the problems of reliability and validity exist which could be improved if the supervisors are told that they themselves will be evaluated on the basis of how seriously they are performing their duties, To perform assigned task of evaluation in a better way superior should be provided with better training of writing report. Thus, performance appraisal is the technique which is essential for every organization.

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### 8.13 Self Assessment Questions

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- 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 outlines in this chapter.
- 3 Does current thinking indicates that appraisal for training should be conducted separately from appraisal for promotion?
- 4 Explain in detail the process of performance appraisal.
- 5 Write short notes of:
  - a) Management by objectives
  - b) Behaviorally Anchored Rating Scale
- 6 Explain the methods of performance appraisal in detail.
- 7 “Performance appraisal is not only for appraisal but is for achievement and improvement of performance”. Explain.
- 8 According to you what should be done to have an effective performance appraisal system in your organization.
- 9 Write short notes on:
  - a) Field review method:
  - b) Critical incidents method

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### 8.14 Reference Books

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## Unit - 14 : Discipline

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### Structure of Unit:

- 14.0 Objectives
- 14.1 Introduction
- 14.2 Meaning & Discipline
- 14.3 Concept of Discipline
  - 14.3.1 Aspects of Discipline
  - 14.3.2 Main Characteristics of Discipline
  - 14.3.3 Aims & Objectives of Discipline
  - 14.3.4 Importance of Discipline in Industry
- 14.4 Indiscipline
- 14.5 Misconduct
- 14.6 Causes & Approaches Towards Disciplinary Action
  - 14.6.1 Causes for Infringement of Discipline
  - 14.6.2 Principles of Industrial Discipline
  - 14.6.3 Guidelines of a Disciplinary Action
  - 14.6.4 Mc Gregor's Hot Stove Rule
  - 14.6.5 Procedure for Disciplinary Action
- 14.7 Code of Discipline in Indian Industry
- 14.8 Summary
- 14.9 Self Assessment Questions
- 14.10 Reference Books

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### 14.0 Objectives

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After studying this unit, you would be able to :

- Understand the fundamental nature of Industrial discipline
- Recognize difference between traditional and modern aspects of discipline.
- Point out the nature and major aims & objectives of discipline.
- Study and appreciate the significance of discipline in Industry.
- Know about various principles for maintenance of discipline.
- Understand the concepts of Indiscipline and misconduct.
- Know about the causes of Breach of discipline.
- Know about the guidelines governing the disciplinary action.
- Learn about the Mc Gregor's hot stove rule.
- Learn about the code of discipline in Indian Industry.

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### 14.1 Introduction

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Discipline may be defined as an approach which aims at instilling orderly behaviour and respect for willing obedience to a recognized authority. Industrial discipline is crucial for healthy industrial environment and for escalating production & productivity. The promotion and maintenance of employee discipline brings multifarious benefits to the organisation and its employees in form of say ; goal attainment , smooth functioning of the organization etc.

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## 14.2 Meaning & Definition of Discipline

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### What does Discipline means?

Discipline means getting obedience to rules and regulations of the organization. Discipline is absolutely essential for the smooth running of business. Fayol, stated that discipline is obedience, application, energy and outward mark of respect. According to Webster's Dictionary, the word discipline has three meanings "First, its is the training that corrects moulds , strengthens or perfects individual behavior. Second, it is control gained by enforcing obedience. The third meaning, it is punishment or chastisement.

### Definition of Discipline

According to Dr. Spriegel, "Discipline is the force that prompts an individual or a group to observe the rules, regulations and procedures which are deemed to be necessary to the attainment of an objective; it is force or fear of force which restrain an individual or a group from doing things which are deemed to be destructive of group objectives. It is also the exercise of restraint or the enforcement of penalties for the violation of group regulations."

Thus discipline can be regarded as a force that requires employees to follow the rules and regulations of an organization considered vital for its efficient working.

In brief, discipline is an employee's self control which motivates him to comply with the organization's goals and objectives.

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## 14.3 Concept of Discipline

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The dialogue between the workers and managers in a work setting pave way to the emergence of the concept of discipline.

### 14.3.1 Aspects of Discipline

**Negative Aspect** - This aspect uses "fear" as a force to enforce discipline in the organization. If any employee or worker defies the rules and regulation strict punishment is levied on them. This is categorized as traditional concept of discipline.

**Positive Discipline** – Now a days the management of various organizations have adopted positive progressive outlook for disciplining the employees. With the ever increasing awareness among the workers concerning their rights and responsibility, it was required on the part of management to reconsider the negative approach of fear used by them so far.

Thus management emphasized on the concept of self– discipline. This approach of self control asserts on cooperative efforts of employees to abide by the rules of the organization. Thus positive aspect of discipline plays a much greater role in safeguarding industrial peace and prosperity.

### Activity A:

- 1 According to you what is discipline? How does traditional concept of discipline differ from the modern concept?

### 14.3.2 Main Characteristics of Discipline

The main characteristics of Discipline can be summed up as follows :-

- (i) To guarantee successful fulfilment of organizational goals it motivates workers to abide by the instructions issued by the management or superiors.
- (ii) It is a negative approach in the sense that it discourages employees in under taking some activities while encouraging to undertake the few others.
- (iii) On Violation or disobedience of organization rules it imposes fine or reprimand, therefore, it is also called as punitive or big stick approach.

#### **14.3.3 Aims & Objectives of Discipline**

The aims and objectives of discipline are as follows:-

- (i) For the achievement of organizational goals it tries to earn the willing approval of employees.
- (ii) To introduce the component of uniformity and assurance despite the numerous difference despite the numerous differences in informal behaviour patterns in the organization.
- (iii) For improving the quality of production by enhancing the morale and working efficiency of the employees.
- (iv) To generate respect for human relations in the organization.
- (v) To confer and seek direction and responsibility.

#### **14.3.4 Importance of Discipline in Industry**

Discipline acts as a cornerstone for the smooth functioning of any enterprise. Absence of discipline in any industry can create a great amount of commotion and confusion thereby decreasing its productivity. For any enterprise however big or small manpower is the most pivotal resource and thereby all efforts should be made to discipline them.

All steps should be taken to encourage mutual trust and confidence between the workers and the management which is indispensable to bring about needed discipline at the workplace.

Maintenance of discipline is a precondition for attaining the aims and purposes of the organization swiftly. Disciplined employers will assist in creation of pleasant industrial environment which will be beneficial for the industry and the nation both.

#### **Activity B:**

- 1 Analyze the critical role of discipline in today's modern, complex organizations.

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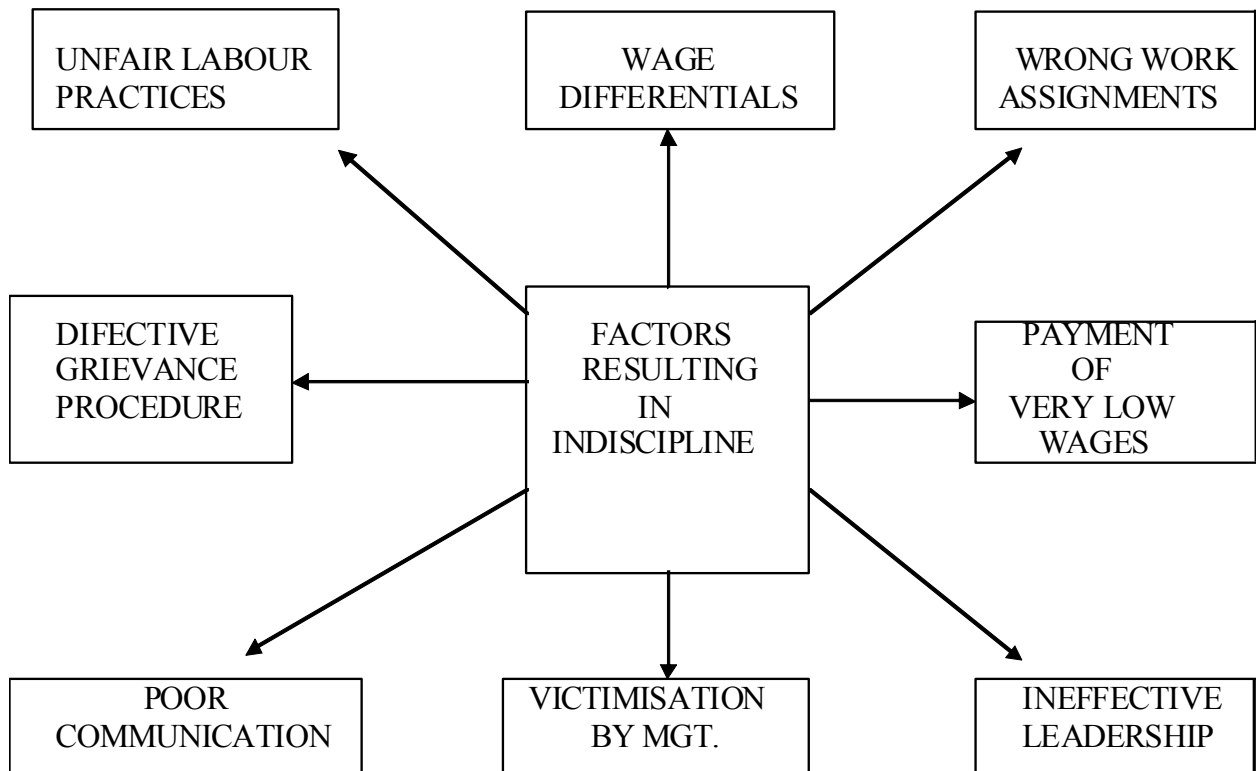
### **14.4 Indiscipline**

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#### **Meaning**

Indiscipline may be expressed as non – compliance to formal and informal rules and regulations of an organization. Indiscipline may prove to have detrimental effects on the morale and motivation of the employees as well as on the organization as a whole. There are various socio-economic and cultural factors that play a role in creating indiscipline in an organization which can be summed up in following figure :-

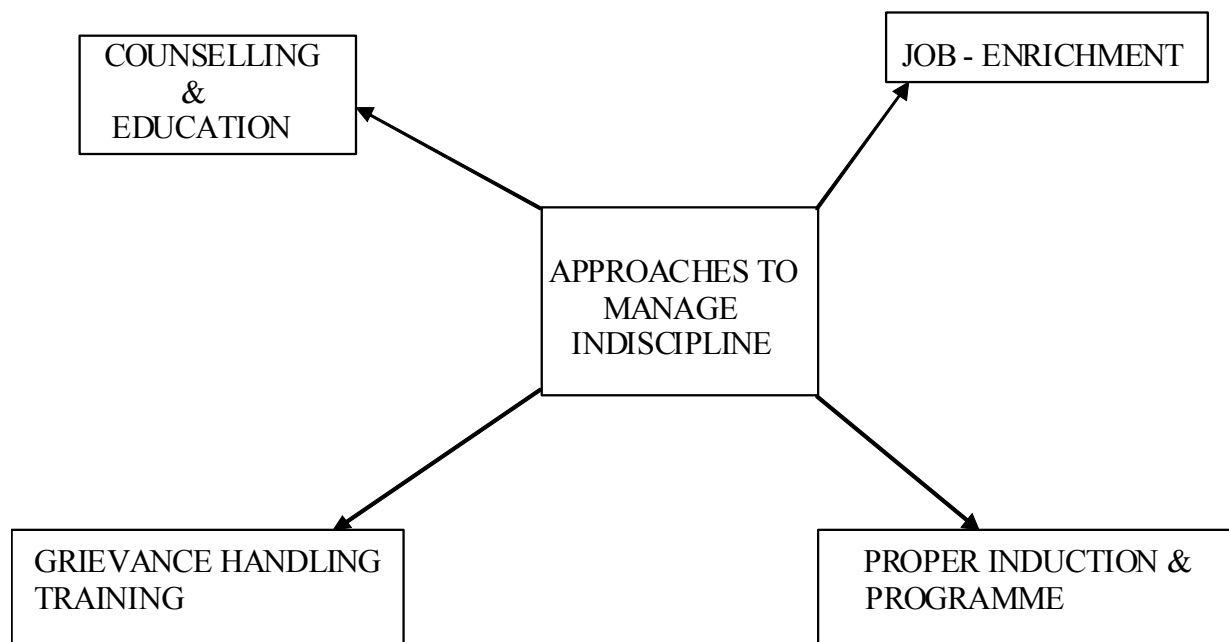




**Figure 14.1 Various Factors Responsible for Indiscipline**

### Ways to Cope With Indiscipline

Management can adopt various strategies as mentioned in the figure below to keep a check on indiscipline in the organization.



**Figure 14.2 Means to Cope With Indiscipline**

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## 14.5 Misconduct

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### Meaning & Definition

An action or type of behaviour can be defined as misconduct if it is prejudicial to the interests of the employer and other employees, inconsistent with the norms set for discharging duties, unsafe or unfaithful to such a degree that it becomes incompatible to continue employer – employee relationships.

### Categories of Misconduct

Disciplinary acts of misconduct can be categorized on the basis of the severity of the consequences.

- (i) **Minor Contravention**– results in few serious consequences.  
Example – negligence, minor disobedience to rules, carelessness.
- (ii) **Major Contravention** – Partially hinders the working of the organization.  
Example – lying, cheating, stealing
- (iii) **Intolerable Offences** – are of unlawful and severe nature which endanger employment relationship.  
Example – threat to use weapon, use of drugs on the job, smoking near inflammables.

### Misconduct Stated In Model Standing Orders

Here is an illustrative list of acts constituting misconduct under Model Standing Orders Act , 1946.

- (i) Wilful insubordination or disobedience of any lawful and reasonable order , rule or regulation.
- (ii) Refusal to work on a job or a machine which has been assigned to him.
- (iii) Refusal to accept or reply to a charge sheet within the prescribed period of time.
- (iv) Theft , fraud , or dishonesty in connection with the property of the company.
- (v) Theft of another employee's property inside the industrial area or company premises.
- (vi) Causing willful damage to , or loss of , the employer's goods or property.
- (vii) Causing damage to a product in process or to any property.
- (viii) Interference with , safety devices.
- (ix) Non-observance of safety precautions and rules.
- (x) Taking or giving a bribe or any illegal gratification.
- (xi) Acceptance of gifts from subordinates.
- (xii) Habitual late coming.
- (xiii) Absence from duty without leave.
- (xiv) Overstay when on leave without prior authorized permission.
- (xv) Entering or leaving , or attempting to enter or leave , the work premises except through authorized entrance and exits.

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## 14.6 Causes & Approaches Towards Disciplinary Action

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### 14.6.1 Causes for Infringement of Discipline

The main reasons for breach of discipline in any organization may be stated under following heads

#### (I) Causes Related To the Worker

- (a) Illiteracy and low intellectual level of workers.
- (b) Workers personal problems like their fears, hope, aspirations etc.

(c) Inborn tendencies of workers to flout rules.

**(II) Causes Related To the Socio – Cultural Factors -**

(a) Misunderstanding and rivalry among workers.

(b) Discrimination based on caste, colour, sex, place in imposing penalties.

**(III) Causes Related To the Work Environment –**

(a) Bad working conditions.

(b) Defective supervision

(c) Non-placement of right person on the right job.

**(IV) Causes Related To the Management Practices –**

(a) Lack of clarity in rules & regulation as laid out by the top management.

(b) Faulty performance appraisal systems leading to favoritism thereby generating indiscipline.

(c) Absence of sympathetic and scientific management.

#### **14.6.2 Principles of Industrial Discipline**

Industrial Discipline should be based on certain just and fair principles to be accepted by the employees. The basic Prerequisites or principles to be observed are:-

- (i) The very objectives of industrial discipline should be clearly laid out
- (ii) The code of conduct should be framed with consultation & collaboration of the workers or their representatives.
- (iii) The code of conduct must be communicated to all concerned in the organization.
- (iv) The rules and regulation concerning the discipline should understandable by all.
- (v) The rules of conduct must able to settle the grievances if any arising during the period be of employment.
- (vi) The approach of discipline policy should be preventive i.e. stress be laid on prevention of violation of discipline rather than on the administration of penalties.
- (vii) The quantum of reprimand for each case of misconduct should be specified clearly in advance by publishing them in employee's handbook.
- (viii) The enforcement authority must be specified.
- (ix) Discipline policy should not discriminate against the employees; it should be uniform for all employees without favoring any one worker or employee.
- (x) A disciplinary committee in the advisory capacity be constituted to look into the matters of indiscipline and put forth the necessary suggestions.

#### **14.6.3 Guidelines of a Disciplinary Action**

- (a) **Fixation of Responsibility** – the responsibility for sustaining discipline in the organization should be given to a responsible person, say personnel officer.
- (b) **Proper Framing & Communication of Rules** – the rules and regulations should be cautiously and accurately formulated and published in employee handbooks.
- (c) **Rules and Regulations Should be Reasonable** – the work standards set Should be attainable by the employees and the rules be modified at frequent intervals to suit the changing organizational circumstances.

- (d) **Equal Treatment** – Rules and penalties should be applied equitably. Identical punishment should be granted for identical offences.
- (e) **Prompt Action** – care should be taken to make sure that the penalty is imposed soon after the violation of a rule has occurred.
- (f) **Search for the Facts** – before proceeding to take any action against an employee, provide him with sufficient time to present his side of the case i.e. What and why it Happened ....?
- (g) **Natural Justice** – the punishment or penalty imposed on the indisciplined worker must satisfy the principle of natural justice. The punishment should always justify with the gravity of the offence.

#### 14.6.4 Mc Gregor's Hot Stove Rule

The model method for enforcement of discipline should have the four important characteristics of a red – hot – stove.

- (i) **Advance Warning** – a red – hot stove tells us, “don’t touch me, you will suffer” Similarly a worker knows what is expected of him and what will be the result if he fails to live up to those expectations.
- (ii) **Immediate Effect** - if one overlooks the advance warning and touches the stove, gets immediate result (fingers may suffer burns) likewise workers may get instantaneous effect on committing any act of indiscipline.
- (iii) **Consistency** – every time we touch a red – hot stove we get the same result. Every time a worker commits the insufficient act, he should be penalized.
- (iv) **Impersonal Approach** – red – hot stove functions uniformly for all, doing away with any favoritism. In the same way, management should not discriminate in imposing punishment on basis of caste, creed, colour, sex etc. It should guarantee the fundamental right to equality.

Thus these four characteristics should be kept in mind before administering any disciplinary action.

#### 14.6.5 Procedure for Disciplinary Action

The following steps should be taken care of while administering a disciplinary action.

- (a) **Ascertaining the Statement of the Problem** - First look into the violation of rule and the number of employees involved in the matter. Then ascertain the gravity of the violation and the conditions under which it occurred.
- (b) **Searching for the Underlying Facts** – This calls for thorough examination of the case together the relevant facts.
- (c) **Deciding upon the Type of Penalty** – The penalty or punishment should be such which discourages future reoccurrence of the offence or violation. But it should always relate to the gravity of the offence.
- (d) **Application of Penalty** – The selected penalty may be imposed on the wrong doers and if the offence is not of a serious nature then it may be disposed off quickly.
- (e) **Follow-up on Disciplinary Action** – Vigilant supervision of the person against whom a disciplinary action is taken should be done.

#### Activity C:

- 1 with the help of an imaginary case elaborate the procedure of disciplinary action.

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## 14.7 Code of Discipline in Indian Industry

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The Indian labour conference held in New Delhi in July 1957, discussed discipline in Indian Industries, and laid down certain principles governing it, these were

- (a) It is a State – induced voluntary agreement between labour unions and management to abide by certain self-imposed rules of behavior in order to ensure that disputes do not arise ; and that , if they do, to promote and orderly settlement through negotiation , conciliation and voluntary arbitration.
- (b) The Code enjoys upon the parties to accord due recognition to each other’s just rights and responsibilities.
- (c) It enjoins upon the parties to refrain from taking any unilateral action in connection with any industrial matters ; to utilize the existing machinery for the settlement of disputes with the utmost expedition ; and to abjure strikes and lock-outs without notice and without first exploring all possible avenues of a settlement.
- (d) It discourages litigation and lays emphasis on a mutual settlement of disputes through negotiation, conciliation and voluntary arbitration rather than through adjudication.
- (e) It enjoins that neither party should resort to demonstration , intimidation , victimization , violence, coercion , discrimination , or interfere in union activities or with the normal work of employees , or indulge insubordination or wilful damage to property.
- (f) The code requires the employers to recognize the majority union in their establishments or industries, and set up a well-defined and mutually agreed grievance redressal procedure. It requires workers not to adopt go-slow tactics , or indulge in stay in or sit-down strikes while they are on duty.
- (g) It emphasizes that awards , decisions , agreements and settlements should be promptly and readily implemented ; and that any act which disturbs or impairs the cordial relations between employees and management , or which is contrary to the spirit of the Code , is carefully avoided.
- (h) It directs employees and their trade unions to take appropriate action against their officers and members who indulge in activities which are contrary to the spirit and letter of the code.

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## 14.8 Summary

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Industry discipline is vital for creation and maintenance of healthy & peaceful industrial environment. It brings numerous benefits to the organization and its employee as well. Discipline has two aspects i.e. positive & negative. Indiscipline & misconduct can surge from number of factors like unfair labour practices, wage differentials, poor communication, ineffective leadership etc. Indiscipline & misconduct are two evils that can hamper the smooth functioning of an organization so they should be curbed at any cost. Model standing orders and the code of discipline as stated by the Indian Labour Conference can help in long term to keep a check on the Indiscipline in the Industry.

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## 14.9 Self Assessment Questions

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1. What do you mean by “Discipline”? State its major characteristics and objectives.
2. Discuss the significance of discipline in Industry?
3. Write short notes on

(a) Indiscipline & (b) Misconduct

4. Explain in brief the guidelines of a disciplinary action.
5. State the characteristics of Red Hot stove in context of disciplinary action.

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#### **14.10 Reference Books**

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## Unit - 11 : Industrial Relation

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### Structure of Unit:

- 11.0 Objectives
- 11.1 Introduction
- 11.2 The Concept of Industrial Relation or Meaning and Definition of Industrial Relation (IR)
- 11.3 Objective of Industrial Relation
- 11.4 Approaches to IR
- 11.5 Suggestions and Measures to Improve IR
- 11.6 Significance of Good Relations
- 11.7 Industrial Disputes
- 11.8 Forms of Industrial Disputes
- 11.9 Causes of Disputes
- 11.10 Prevention of Industrial Disputes
- 11.11 Settlement of Industrial Disputes
- 11.12 Summary
- 11.13 Self Assessment Questions
- 11.14 Reference Books

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### 11.0 Objectives

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After completing this unit, you would be able to:

- Understand the concept of industrial relation
- Know about objective and approaches of industrial relation
- Learn how to measures of improving industrial relation
- Point out various industrial disputes
- Know about causes of industrial disputes
- Learn how to prevent and settle down industrial disputes
- Learn how to resolve industrial relation.

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### 11.1 Introduction

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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’.

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## 11.2 The Concept of Industrial Relation or Meaning and Definition of Industrial Relation (IR)

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The term “Industrial Relation” refers to all types of relationship between all the parties concerned with industry. **According to Encyclopaedia Britannica**, it denotes relations of all those associated in productive work, including industry, agriculture, mining, commerce, finance, transport and other services.

**According to 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.

**According to 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:

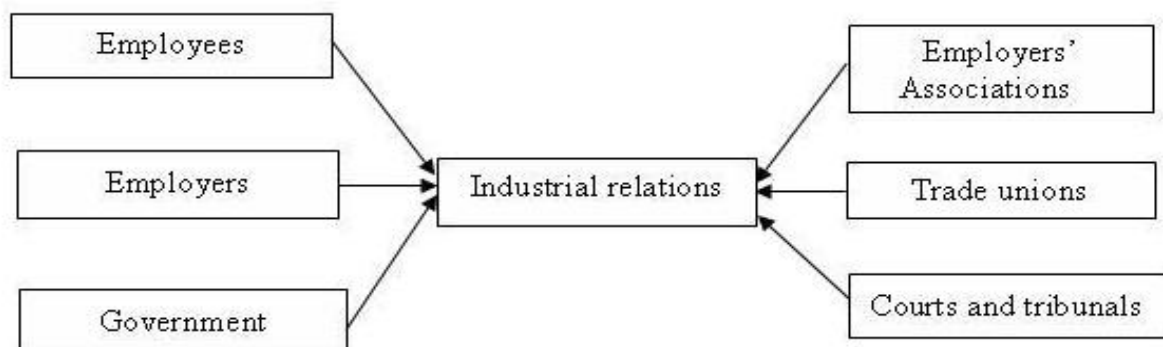
- Relations between managers and individual workers.
- The collective relations between employers and labor (trade) union.
- The role of government in the regulation of these relationships.

These three closely associated areas are often referred to respectively as

- Personnel Management
- Collective Bargaining
- Labor Legislation

### Parties involved in industrial relations:

- - Employers
  - Employee
  - Government



**Figure 11.1**



### Activity A:

1. Collect the data to tri parties at least of five industries about their industrial relation within the organization.

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## 11.3 Objective of Industrial Relation

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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 labor management committee of the Asian Regional Conference of the International Labor Organization (ILO) has recognized certain fundamental objectives of Industrial relations are to maintain sound and harmonious relations between employees and employers. The other objectives drawn from this objective are:

1. Industrial Relation safeguards the interest of labor and management through mutual understanding and goodwill among those parties in the industry which actively participates in the process of production.
2. 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.
3. To avoid all forms of industrial conflict
4. To minimize labour turnover and absenteeism by providing job satisfaction to the workers and increasing their morale.
5. To minimize the occurrence of strikes, lockouts and gheraos.
6. To encourage and develop trade unions in order to improve workers collective strength and resolving their problems through collective bargaining.
7. To establish, develop and maintain industrial democracy based on employee's participation in management and profit of the industry.
8. To facilitate government control over industries in regulating production and for protecting employment or where production needs to be regulated in public interest.
9. To check and ensure a healthy and balanced social order in the industry.

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## 11.4 Approaches to IR

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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 IR: **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.

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## 11.5 Suggestions and Measures to Improve IR

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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 labor and the management.

1. **Support of Top Management:** Top management action always be proactive and geared to problem solving and its action and decision must be in favour of an organization and employees.
2. **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.
3. **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.
4. **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.
5. **There are also some others suggestions** but they are some expensive because they want some research work on them:
  - 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.
  - 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.
  - A regular follow up of IR 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.

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## 11.6 Significance of Good Industrial Relations

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If the objective of the nation is rapid national development and increased social justice are to be achieved, there must be harmonious relationship between management and union. Such relations will lead to the following benefits:

1. **Industrial Peace:** Good industrial relations bring harmony and remove causes of disputes. This leads to industrial peace, which is an ideal situation for an industrial unit to concentrate on productivity and growth.
2. **High Morale:** Cordial industrial relations improve the morale of the employee. It implies the existence of an atmosphere of cooperation, confidence, and respect within the enterprise. In such an atmosphere, there are common goals, which motivate all members of the organization to contribute their best. Consequently, there is higher productivity, higher income, and increased job satisfaction – all resulting in higher morale of the workforce.
3. **Mental Revolution:** Sound industrial relation completely transforms the outlook of employers and employee. It is based on consultation between the workers and the management. This motivates the workers to give their best to the organization and share the fruits of progress jointly with the management.
4. **Reduced Wastage and Increased Productivity:** It helps in increasing production. Wastage of man, material and machines are reduced to the minimum and thus national interest is protected. Thus, they will contribute to the economic growth of the countries.
5. **Programmes for Workers Development:** New programmes for workers development are introduced in an atmosphere of peace such as training facilities, labor welfare facilities etc. Hence, full advantage of latest inventions, innovations and other technological advancement can be obtained. Through these employee development programme, workforce easily adjust itself to required changes for betterment.

#### Activity B:

- 1 Discuss the present position of industrial relations in the country, in your Opinion; what steps should be taken to improve it.

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### 11.7 Industrial Disputes

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Industrial Disputes Act 1947 defines any dispute or difference between employers and employees or between employers and workers, or between workers and workers, which is connected with the employment or non-employment or terms of employment or with the conditions of labor of any person.

Industrial Disputes are frequently clouded by a sense of exploitation, distrust and discontent between employee and employers. In simple language, the disputes between employers and employees on any Industrial matters are known as industrial disputes. The term ‘dispute’ is characterized by the following factors :

1. Dispute mainly relate to the strife between employers and their employees.
2. There must actually be a difference.
3. Its work related or industrial matter issues.
4. Disputes must be raised by group or class of workmen.
5. Disputes between one or two workmen and their employers are not an industrial dispute.

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### 11.8 Forms of Industrial Disputes

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Industrial dispute can take place in any of the following forms:

- 1) **Strikes:** A strike means a cessation of work by a body of persons employed in any industry acting in combination or a concerted refusal under a common understanding of a number of

persons who are or have been so employed to continue work or to accept employment. Strikes are of several types:

- Economic Strike
  - Sympathetic Strike
  - General Strike
  - Set down Strike
  - Slow Down Strike
  - Lightening Strike
  - Hunger Strike
- 2) **Lock Out:** lock out is the counterpart of strike. Lock outs bring psychological pressure on the workers to agree to his conditions or face closure of the units. A lockout is decaled as a trial of strength between the management and its employees. Lockouts means the employer closes down his factory where his workers are employed because he wants to force them to agree to his terms and conditions of service during the pendency of a dispute.
  - 3) **Gherao:** Its means “to surround”. According to National Commission on Labour “Gherao tend to inflict physical duress on the persons affected and endanger not only industrial harmony but also create problems of law and order”.
  - 4) **Picketing:** It is primarily a method of drawing public attention towards the disputes and it is legal so there is no violence is involved. In picketing, workers are dissuaded from reporting for work by certain persons stationed at the gate of the factory.
  - 5) **Boycott:** Boycott aims at disrupting the normal functioning of an enterprise, through forceful appeals and negative behavioural acts.

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## 11.9 Causes of Disputes

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- 1) **Wages and Allowances:** The most important cause for disputes relates to wages. The demand for increase in wages and allowances is the most important cause of industrial disputes. The demand for wages and allowances has never been fully met because of inflation and high cost of living. High inflation results in increased cost of living resulting in never ending demands from unions. There are some more economic reasons who are the cause of industrial disputes are bonus, working conditions and working hours, modernization and automation and demand for other facilities.
- 2) **Union Rivalry:** Most organizations have multiple unions. Multiplicity of unions leads to inter-union rivalries. If one union agrees to a wage settlement, another union will oppose it.
- 3) **Political Interference:** Major trade unions are affiliated to political parties. Political affiliated is not peculiar to our country alone. Even a cursory assessment of labour movements around the world would show that trade unions are, by their very nature, political and that politicization of the rule rather than the exception. Everywhere trade union have been compelled to engage in political action to obtain enough freedom from legal restraint to exercise their main industrial functions.
- 4) **Managerial Causes:** These causes include autocratic managerial attitude and defective labour policies. In this includes failures of recognize the trade union, defective recruitment policies, irregular layoff and retrenchment, defiance of agreements and codes, defective leadership, weak trade unions.
- 5) **Unfair labour Practices:** The Industrial Dispute Act, 1947 is more specific about the unfair labour practices. According to the Act, the following constitute unfair labour practices:

- To interfere with, restrain from or coerce workmen in the exercise of their right to organize, form, join or assist a trade union or to engage in concerted activities for the purpose of collective bargaining or other mutual aid or protection, that is to say,
  - Threatening workmen with discharge if they join a trade union
  - Threatening a lockout or closure, if a trade union is organised
  - Granting wage increases to workmen at crucial periods of the trade union organization, with a view to undermine the efforts of the trade union at organization.
  - To, dominate, interfere with or contribute support, financial or otherwise, to any trade union.
- 6) To encourage or discourage membership in any trade union by discriminating against workmen.
  - 7) To discharge or dismiss workmen.
  - 8) To indulge in acts of force or violence.
  - 9) To refuse to bargaining collectively, in good faith with the recognized trade unions.
  - 10) To insist upon individuals workmen, who are on a legal strike, to sign a good conduct bond as a precondition to allowing them to resume work?

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### 11.10 Prevention of Industrial Disputes

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It is very famous sentences prevention is always better than cure. Prevention steps should, therefore, be taken so that reduced industrial disputes and sometimes try to do not occur the industrial disputes in the organizations.

- 1) **Collective Bargaining:** Collective Bargaining is the most effective method of resolving industrial disputes. The role of collective bargaining in solving the problems arising between the management and the worker has been widely recognized. Collective bargaining not only includes negotiation, administration and enforcement of the written contracts between the employees and the employers but also includes the process of resolving labour management conflicts.

Collective bargaining offers the following benefits to both of the employees and employers :

- It helps increase economic strength of both the parties at the same time protecting their interest.
  - It helps resolve disputes when it is occur in the organization.
  - It also help to establish uniform conditions of employment with a view to avoid occurrences of industrial disputes.
  - It lays down rules and norms for dealing with labour.
- 2) **National Arbitration Promotion Board:** The Truce Resolution 1962 and the code of Discipline as evolved in 1958 recognized the principle of voluntary Arbitration. The Government of India took note of the intention of both the industrial partners and set up the National Arbitration Promotion Board in July 1967 to promote arbitration.

Arbitration is a procedure in which a neutral third party studies the bargaining situation, listens to both the parties and gathers information, and then makes recommendations that are building on the parties. Arbitration is effective because it is established by the parties themselves and the decision is acceptable to them and it also delays are cut down, settlement are speeded up and less expensive when compared to courts or tribunals.

- 3) **Grievance Redresal Procedure:** A grievance may be understood as an employee's dissatisfaction or feeling of personal injustice relating to his or her employment relationship. A grievance is generally well- defined in a collective bargaining agreement. The Indian Labour Conference in 1958 evolved a code of discipline which was ratified by the national trade union and employers' organization. Under this code, both the parties voluntarily agree to maintain and create an atmosphere of mutual trust and cooperation in the factory and to settle all the disputes and grievance by mutual negotiation, conciliation and voluntary arbitration and avoid direct action.
- 4) **The Implementation Machinery:** The central organizations of workers and employers have set up machinery to screen cases of industrial disputes before they are taken to courts with a view to reducing litigation. The main function of consultative machinery is to bring the parties together for mutual settlement of difference in a spirit of co-operation and goodwill. Consultative machinery operates at the plant, industry, national and state levels. At the plant level, there are works committees and joint management councils. Being essentially bipartite in character, Work committee are constituted as per the provisions of the Industrial Disputes Act, 1947 and joint management councils are set up following the trust laid down in the Industrial Policy Resolution, 1956. At the industry level, there are Wage Boards and Industrial Committees. Implementation cells have been set up in almost all the states and their activities are coordinated by the central Implementation and Evaluation Cell with a view to ensure uniform policies and action.
- 5) **Workers Participation in Management:** It is a method whereby the workers are allowed to be consulted and to have a say in the management of the unit. The important schemes of workers participation are:
- **Work Committees** consisting of representatives of employer and employee where every industrial undertaking employing 100 or more workers is under an obligation to set up. Its main purpose to promote industrial relations.
  - **Joint Management Councils:** Government suggested setting up joint management council to make a start in labour participation in management.
  - **Shop council:** it have been set up in the manufacturing and mining industries employing 500 or more workers in private, public and joint sectors. Its main function to assist the management in achieving production targets, improving production, productivity efficiency, eliminating wastage and in achieving optimum utilization of machinery and manpower.
  - **Joint Council :** joint council have been established for the whole unit and deals with matters relating to optimum production and efficiency and the fixations of productivity norms for man and machine for the unit as a whole.
- 6) **Tripartite Bodies:** Tripartite bodies composed of employer, employee and government have been set up for consultation and discussion on problems of labour to solve it out.
- 7) **Model Standing Orders:** Government enacted the Industrial Employment (Standing Order) Act 1946 for to avoid frictions amongst employers and workmen over the terms of employment. This Act is requiring employers in the establishment to defuse with sufficient precision, the condition of employment under him and to make them known to all the workers. Such conditions include conditions of recruitment, discharge, disciplinary action, holidays, leave etc of the workers. Thus, the main object of the act is to prevent the dispute as soon as it arises by framing model rules for maintaining discipline and better relations.

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## 11.11 Settlement of Industrial Disputes

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If dispute could not be prevented on voluntary basis and do arise, steps have to be taken for their settlement. Industrial Dispute Act 1947 as amended in 1982 provides several provisions for settling the disputes. Various methods and provision are for resolving disputes. More important of them are as follows:

- 1) Arbitration
- 2) Conciliation
- 3) Collective Bargaining
- 4) Code of Discipline
- 5) Grievance Procedure
- 6) Adjudication
- 7) Consultative machinery

**1) Arbitration:** it is a procedure in which a neutral third party studies the bargaining situation listen to both the parties and gathers information and then make recommendation that are binding the parties. It is effective because established by the parties themselves and the decision is acceptable to them and relatively expeditious when compared to courts or tribunals. Delays are cut down and settlements are speeded up. But it has some weakness also are it is expensive. The expenditure needs to be shared by the labour and the management and judgment become arbitrary if there is a mistake in selecting the arbitrator.

**2) Conciliation:** It is a process by which representatives of workers and employees are brought together before a third party with a view to persuading them to arrive at an agreement by mutual discussion between them. The third party may be one individual or a group of people. The alternative name for the third party is mediators.

The conciliation officer can be appointed by the central and state government to mediate in all disputes brought to his notice. The officer enjoys the power of civil courts. He can call and witness disputing parties on oath and interpret the facts of the case. He is expected to give judgment within 14 days of the commencement of the conciliation proceedings. His judgment is binding on all the parties to the disputes. When the conciliation officer fails to resolve the disputes between the parties, the government can appoint a Board of Conciliation. It is not a permanent Board. It consists of a chairman and two or four other members nominated in equal numbers by the parties to the disputes.

**3) Collective Bargaining:** it is a process by which employers on the one hand and representative of the employees on the other, attempt to arrive at agreements covering the conditions under which employees will contribute and be compensated for their services. We already discuss on it.

**4) Code of Discipline:** The code of discipline evolved by the Ministry of Labour and Employment. The code of discipline defines duties and responsibilities of employers and workers. The objectives of promoting constructive co-operation between their representatives at all levels, avoiding stoppage as well as litigation, securing settlement of grievance by mutual negotiation, conciliation and voluntary arbitration, facilitating the growth of trade union and eliminating all forms of coercion and violence of Industrial Relation.

**5) Grievance Procedures:** A grievance may be understood as an employee's dissatisfaction or feeling of personal injustice relating to his or her employment relationship. There are some condition which may give rise to a grievance are like a violation of law, a violation of the intent of the parties as stipulated during contract negotiation, a violation of company rules, a change in working conditions or past company practices and a violation of health and /or safety standards.

It is resolved by set procedure :



- How the grievance will be initiated?
- The number of steps in the process.
- Who will represent each party?
- The specified number of working days within which the grievance must be taken on the next step in the hearing.

**6) Adjudication:** it means a mandatory settlement of an industrial dispute by a labour court or a tribunal. Whenever an industrial dispute remains unresolved by the conciliation officer and the board of conciliation, the matter is referred in a court of inquiry. A court of inquiry may consist of one independent person or such numbers of independent persons as the appropriate government may think fit and submit its report to the government within six months from the date of the commencement of the inquiry. If settlement is not arrived at by the efforts of the above machinery, three types of semi-judicial bodies are formed i.e. labour court, industrial tribunals and national tribunals.

- **Labour Court** shall consist of one person only to be appointed by the appropriate government. Labor court for adjudication of industrial disputes relating to disputed orders of the employers. e.g. dismissal, discharge and suspensions of employees, application and interpretation of standing orders, withdrawal of any concession or privilege, legality or otherwise of any strike or lockout etc.
- **Industrial Tribunals:** the tribunals will consist of one person of the rank of a high court judge by state government. This tribunals solve out the disputes relating to wages, hour of work and rest, intervals, leave with pay, holidays, compensatory and other allowances, bonus, profit sharing, provident fund, retrenchment, gratuity and etc.
- **National Tribunal:** National Tribunals are set up by the Central Government for the adjudication of the industrial disputes which involves the question of national importance or which affect industrial establishment situated in more than one state. It gives decisions on matters referred to it by the Central Government which matter is referred to the national tribunal by the central government, the labour courts and industrial tribunals are barred from entertaining such disputes and if any such dispute is before labour court or tribunals. Shall be deemed to be quashed.

**7) Consultative Machinery:** It is set by the government to resolve disputes. The main function of this machinery is to bring the parties together for mutual settlement of differences in a spirit of co-operation and goodwill. Consultative machinery operates at the plant, industry, state and the national level. At the plant level, there are works committees and joint management councils being bipartite in character and at the industry level there are wage boards and industrial committees.

#### Activity C:

- 1 Management is bound for Labour Welfare-
  - (a) Within the factory only
  - (b) Outside the factory only
  - (c) Both of above
  - (d) None of the above

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## 11.12 Summary

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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.

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### **11.13 Self Assessment Questions**

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1. Explain the concept of Industrial Relations. What is the significance of good industrial relations and what are its objectives?
2. Bring out the causes and consequences of industrial disputes. Discuss existing machinery for the settlement of industrial disputes in India.
3. Discuss the steps you would suggest to promote industrial harmony in India.
4. What do you mean by industrial relations? Discuss the role of various participants in industrial relations.
5. Explain the machinery for prevention and settlement of industrial disputes in India.

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### **11.14 Reference Books**

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- Industrial Relation and Legislative – T.N.Chabbra and Suri
- Industrial Relation - Nolakha
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- Industrial Relations Machinery- C.S.Srivastava

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## Unit - 17 : The Future of HRM

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### Structure of Unit:

- 17.0 Objectives
- 17.1 Introduction
- 17.2 Significance of Human Resource Management
- 17.3 Role of HR Managers in Present Times
- 17.4 Recent Trends In HRM
- 17.5 Forces Changing HRM
- 17.6 Emerging Concepts
- 17.7 Impact of Technology on HRM
- 17.8 Workforce Trends
- 17.9 E-Human Resource Management
- 17.10 Challenges before HRM
- 17.11 HRM Practices In India
- 17.12 Self Assessment Questions
- 17.13 References Books

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### 17.0 Objectives

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After completing the unit you will be able to:

- Understand the importance of HRM in the emerging scenario.
- Role of HR manager in modern time.
- Forces affecting HRM
- Challenges faced in the changed business scenario
- Current practices of HRM in India

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### 17.1 Introduction

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The importance of Human Resource Management can be traced back to Vedic ages! Yes, in *The Bhagavad Gita*, Lord Krishna not only makes Arjuna spiritually enlightened, but also teaches him the art of self management, anger management, stress management, conflict management, transformational leadership, motivation, goal setting and many other aspects which are now essential parts of any HRM curriculum. Human resource management is a process of bringing people and organizations together so that the goals of each other are met. The role of HR manager is shifting from that of a protector and screener to the role of a planner and change agent. Personnel directors are the new corporate heroes. The name of the game today in business is Personnel. Nowadays it is not possible to show a good financial or operating report unless your personnel relations are in order.

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### 17.2 Significance of Human Resource Management

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The Human Resources (HR) function provides significant support and advice to line management. The attraction, preservation and development of high calibre people are a source of competitive advantage for our business, and are the responsibility of HR. Industries in India in general and Human Resources function in particular, will open new avenues in future. One clear trend concerns joint decision making. From largely paternalistic efforts to help needy employees solve their personnel problems, industrial organizations in India have moved to a joint consultative process of decision making which influences employees.

The scope of Human Resource function depends, to a large extent, on its importance in the organization and the attitude of the top management to executives in the HR department. The basic objectives of Human Resource Department of an organization are an effective and efficient utilization of human resources, harmonious relations among all employees and maximum development of individuals. These objectives are generally achieved by hiring capable people, using their efforts effectively and encouraging a willingness to work in a kind of environment to achieve organization's goals.

Human Resources manager's style of supervision, his plans, policies and procedures have a significant impact on an individual's performance. Changes in HR function, to a large extent reflect changing needs of the organization. Changes in the organizational atmosphere, hopes and aspirations of the workforce, and the external environment all demand an innovative problem-solving approach from the personnel department.

The functions of HR manager in future will definitely be enhanced from traditional areas such as management of manpower planning, recruitment, selection, training, internal mobility and welfare.

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### 17.3 Role of HR Managers in Present Times

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**HR Managers today are focusing attention on the following-**

- a) **Policies-** HR policies are based on trust, openness, equity and consensus.
- b) **Motivation-** Create conditions in which people are willing to work with zeal, initiative and enthusiasm; make people feel like winners.
- c) **Relations-** Fair treatment of people and prompt redress of grievances which would pave the way for healthy work-place relations.
- d) **Change Agent-** Prepare workers to accept technological changes by clarifying doubts.
- e) **Quality Consciousness-** Commitment to quality in all aspects of personnel administration will ensure success.

Due to the new trends in HR, in a nutshell the HR manager should treat people as resources, reward them equitably, and integrate their aspirations with corporate goals through suitable HR policies.

Traditionally, the role of the Human Resource professional in many organizations has been to serve as the systematizing, policing arm of executive management.

In this role, the HR professional served executive agendas well, but was frequently viewed as a road block by much of the rest of the organization. The role of the HR manager must parallel the needs of his or her changing organization. Successful organizations are becoming more adaptive, resilient, quick to change direction and customer-centered. Within this environment, the HR professional, who is considered necessary by line managers, is a strategic partner, an employee sponsor or advocate and a change mentor.

#### **Strategic Partner**

In today's organizations, to guarantee their viability and ability to contribute, HR managers need to think of themselves as strategic partners. In this role, the HR person contributes to the development of and the accomplishment of the organization-wide business plan and objectives.

The HR business objectives are established to support the attainment of the overall strategic business plan and objectives. The tactical HR representative is deeply knowledgeable about the design of work systems in which people succeed and contribute. This strategic partnership impacts HR services such as the design of work positions; hiring; reward, recognition and strategic pay; performance development and appraisal systems; career and succession planning; and employee development.

## Employee Advocate

As an employee sponsor or advocate, the HR manager plays an integral role in organizational success via his knowledge about and advocacy of people. This advocacy includes expertise in how to create a work environment in which people will choose to be motivated, contributing, and happy.

Fostering effective methods of goal setting, communication and empowerment through responsibility, builds employee ownership of the organization. The HR professional helps establish the organizational culture and climate in which people have the competency, concern and commitment to serve customers well.

In this role, the HR manager provides employee development opportunities, employee assistance programs, gain sharing and profit-sharing strategies, organization development interventions, due process approaches to problem solving and regularly scheduled communication opportunities.

## Change Agent

People often resist change. A significant change occurs when an individual moves from his home environment to work environment, or when there is a transition from a traditional work method to an advanced technological method. Technological advancement brings about changes which a worker may resist. At this point, the personnel manager has a crucial role to play. He has to convince workers of the need for automation and prepare them to accept changes well before they are introduced. Implementation is mainly a method of getting new methods and ideas accepted and used with the least friction but with ample scope of improvement. Hence changes should be phased gradually and thoughtfully without provoking negative reactions from the workers.

The constant evaluation of the effectiveness of the organization results in the need for the HR professional to frequently support change. Both knowledge about and the ability to execute successful change strategies make the HR professional exceptionally valued. Knowing how to link change to the strategic needs of the organization will minimize employee dissatisfaction and resistance to change.

The HR professional contributes to the organization by constantly assessing the effectiveness of the HR function. He also sponsors change in other departments and in work practices. To promote the overall success of his organization, he supports the identification of the organizational mission, vision, values, goals and action plans. Finally, he helps determine the measures that will tell his organization how well it is succeeding in all of this.

## Activity A:

Prepare the activity report of an HR manager of a company known for its proactive HR Practices.

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## 17.4 Recent Trends In HRM

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Over the years, highly skilled and knowledge based jobs are increasing while low skilled jobs are decreasing. This calls for future skill mapping through proper HRM initiatives. Indian organizations are also witnessing a change in systems, management cultures and philosophy due to the global alignment of Indian organizations. There is a need for multi skill development. Role of HRM is becoming all the more important.

Some of the recent trends that are being observed are as follows:

- The recent quality management standards **ISO 9001** and **ISO 9004** of 2000 focus more on people centric organizations. Organizations now need to prepare themselves in order to address people centered issues with commitment from the top management, with renewed thrust on HR issues, more particularly on training.

- To move ahead of competition in this world of uncertainty, organizations have introduced **six-sigma practices**. Six-sigma uses rigorous analytical tools with leadership from the top and develops a method for sustainable improvement. These practices improve organizational values and help in creating defect-free products or services at minimum cost.
- **Human resource outsourcing** is a new accession that makes a traditional HR department redundant in an organization. Exult, the international pioneer in HR BPO has already roped in Bank of America, international players BP Amoco & over the years plan to spread their business to most of the Fortune 500 companies.
- With the increase of global job mobility, recruiting competent people is also increasingly becoming difficult, especially in India. Therefore by creating an **enabling culture**, organizations are also required to work out a **retention strategy** for the existing skilled manpower.

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## 17.5 Forces Changing HRM

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In the 1990s several forces were shaping the broad field of HRM. The first key force, new technologies—particularly information technology—brought about the decentralization of communications and the shake-up of existing paradigms of human interaction and organizational theory. Satellite communications, computers and networking systems, fax machines, and other devices were facilitating rapid change. Moreover, since these technologies helped blur the lines between work time and personal time by enabling employees to work at home, Human Resource Management professionals began adopting “**Management by Objective**” approaches to human resources instead of the traditional “**management by Sight**” method.

A second important change affecting HRM was new organizational structures that began to emerge during the 1980s and continued through the 1990s. Because many companies began expanding their operations and diversifying their products and services, the central **decision-making** system failed to respond quickly enough to managers’ needs and concerns. Therefore, companies started scrapping traditional, hierarchical organizational structures in favor of flatter, decentralized management systems. Consequently, fewer managers were involved in the decision-making process and companies were adopting more of a **team** approach to management. HRM professionals, as the agents of change, were charged with reorganizing workers and increasing their efficiency. These efforts also resulted in the proliferation of part-time, or contract, employees, which required human resource strategies that contrasted with those applicable to full-time workers.

A third change factor was accelerating market **globalization**, which was increasing competition and demanding greater performance out of workers, often at diminished levels of compensation. To compete abroad, companies were looking to their HRM professionals to enhance initiatives related to quality, productivity, and innovation.

Other factors changing HRM include: an accelerating rate of change and turbulence, resulting in higher employee turnover and the need for more responsive, open-minded workers; rapidly changing demographics; and increasing income disparity as the demand for highly educated workers increases at the expense of lower-wage employees.

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## 17.6 Emerging Concepts

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Of late, a number of new concepts have emerged in the management field to improve the overall effectiveness of the organizations. The HR manager not only has to know them well but has to prepare himself/herself to implement some of these new ideas.

## **1. Total Quality Management**

**The concept of TQM** is based on the 14 principles of Deming that deal with this subject. Deming was born and brought up in USA and migrated to Japan in the early 50's, where he evolved these total quality principles. TQM is a culture based on the realization that the high quality of products and services and associated customer satisfaction are the keys to organizational survival.

At its core, Total Quality Management (TQM) is a management approach to long-term success through customer satisfaction.

In a TQM effort, all members of an organization participate in improving processes, products, services and the culture in which they work.

The methods for implementing this approach come from the teachings of such quality leaders as Philip B. Crosby, W. Edwards Deming, Armand V. Feigenbaum, Kaoru Ishikawa and Joseph M. Juran.<sup>4</sup>

A core concept in implementing TQM is Deming's 14 points, a set of management practices to help companies increase their quality and productivity:

1. Create constancy of purpose for improving products and services.
2. Adopt the new philosophy.
3. Cease dependence on inspection to achieve quality.
4. End the practice of awarding business on price alone; instead, minimize total cost by working with a single supplier.
5. Improve constantly and forever every process for planning, production and service.
6. Institute training on the job.
7. Adopt and institute leadership.
8. Drive out fear.
9. Break down barriers between staff areas.
10. Eliminate slogans, exhortations and targets for the workforce.
11. Eliminate numerical quotas for the workforce and numerical goals for management.
12. Remove barriers that rob people of pride of workmanship, and eliminate the annual rating or merit system.
13. Institute a vigorous program of education and self-improvement for everyone.
14. Put everybody in the company to work accomplishing the transformation.

## **2. Assessment Centres**

An assessment centre is a comprehensive, standardized procedure in which multiple assessment techniques such as situational exercises and job simulation (business games, discussions, reports, and presentations) are used to evaluate employees for a variety of manpower decisions.

“An assessment centre consists of a standardized evaluation of behaviour based on multiple inputs. Several trained observers and techniques are used. Judgments about behaviour are made by these specially trained observers. At the end of the assessment the assessors get together to share their data which is scientifically recorded on a set of evaluation forms. They come to a consensus on the assessments of each candidate. Most frequently the approach has been applied to individuals being considered for selection, promotion, placement, or special training and development in management.

**History of Assessment Centres:** Assessment centres methodology is known to have been used or recommended at least 1500 years ago in India as mentioned in Kautilya's Arthashastra. Different methods of assessing a candidate for ministerial positions have been spelt out in the Arthashastra including observation, performance appraisal, assessment by those who knew him, interviewing, and other forms of testing.

Early application of assessment centres can be traced to the German military assessment programme developed for selection of officers for the German Army. Both multiple assessment techniques and multiple assessors to evaluate complex behaviour with special focus on leadership were used. Assessment was based on subjective opinions and very little rating was done.

**How are Assessment Centres Different Now?:** Early assessment centres were used essentially for selection purposes since the traditional methods were thought to be inadequate. The assessment centre method since then has been subjected to scrutiny and research much more than any other personnel practice.<sup>5</sup> Because of the high quality research and high reported validity, the methodology finds widespread use in a number of organizations. Besides selection, it is used for early identification of management talent, promotion, and diagnosis of developmental needs.

The basic purpose of Assessment Centre is:

- (a) Making selection and promotion decisions; and
- (b) Identify the strengths and weaknesses of an individual for development purposes.

The requirements of Assessment Centre are listed below:

1. Multiple assessment techniques must be used like in basket exercises, management games, leaderless group discussions, tests, personality inventories etc.
2. Multiple assessors must be used. They can be line managers who are two to three levels senior to the candidate and or professional psychologists.
3. Judgment should be based on pooling of information among assessors.
4. An overall evaluation of behavior should be made, separate from the observation of behavior.
5. Simulation exercises must be used.

### **3. Quality Circles**

Quality Circles are (informal) groups of employees who voluntarily meet together on a regular basis to identify, define, analyze and solve work related problems.

Usually the members of a particular team (quality circle) should be from the same work area or who do similar work so that the problems they select will be familiar to all of them. In addition, interdepartmental or cross functional quality circles may also be formed.

An ideal size of quality circle is seven to eight members. But the number of members in a quality circle can vary.

#### **The Main Objectives of Quality Circles are**

- Promote job involvement
- Create problem solving capability
- Improve communication
- Promote leadership qualities
- Promote personal development
- Develop a greater awareness for cleanliness
- Develop greater awareness for safety



- Improve morale through closer identity of employee objectives with organization's objectives
- Reduce errors.
- Enhance quality
- Inspire more effective team work
- Build an attitude of problem prevention
- Promote cost reduction
- Develop harmonious manager, supervisor and worker relationship
- Improve productivity
- Reduce downtime of machines and equipment
- Increase employee motivation

**Problem Solving Tools and Techniques Used by Quality Circles:** Given below are the most commonly used tools and techniques. These are called the old QC tools:

- Brainstorming.
- Pareto analysis.
- Cause and effect diagram (or fish bone diagram or Ishikawa diagram).
- Histogram.
- Scatter diagram
- Stratification
- Check sheet
- Control charts and graphs

**New QC Tools:** Quality circles started using additional seven tools as they started maturing. These are:

1. Relations diagram.
2. Affinity diagram.
3. Systematic diagram or Tree diagram.
4. Matrix diagram.
5. Matrix data analysis diagram.
6. PDPC (Process Decision Program Chart).
7. Arrow diagram.

**Benefits of QC:**

- Self development.
- Promotes leadership qualities among participants.
- Recognition.
- Achievement satisfaction.
- Promotes group/team working.
- Serves as cementing force between management/non-management groups.
- Promotes continuous improvement in products and services.
- Brings about a change in environment of more productivity, better quality, reduced costs, safety and corresponding rewards.

While some of the organizations have started practicing these ideas, a large number are still waiting to see the effects elsewhere.

Given their significance in quality improvement and involvement of people, these ideas show tremendous potential for widespread acceptance. The HR managers have the responsibility to educate other managers about benefits coming from them and help them implement these ideas.

The HR manager faces challenge to involve himself in all functional areas of an organization. He will need training not only in human resources but in production, marketing, finance, etc., to give him a greater understanding of the problems of employees in various functional areas.

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## 17.7 Impact of Technology on HRM

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Technological advances in office equipment over the past thirty years have enabled organizations to improve operating efficiencies, improve communications, reduce costs, increase their global presence, and gain competitive advantage through the implementation of information technology systems.

Since the 1960's, Information Technology has dramatically changed the landscape of the workplace through advances in office equipment, speed of information transmission and methods of communication. From a human capital perspective, Information Technology has allowed companies and their employees to increase efficiencies, communicate more rapidly, and work from remote locations. The ability of the workforce to perform organizational tasks from a remote location also known as "Telecommuting" has enabled employees to improve quality of life and manage the professional and personal aspects of their lives.

From an operational perspective, investments in Information Technology by organizations willing to embrace technology have resulted in increased efficiencies, cost reductions, global expansion, improved intra-company and customer communications, improved reporting and tracking methods, and increased competitive advantage in the market place.

Computers loaded with word processing, spreadsheet analysis and presentation software programs have become standard fixtures on each employee's desk. Some of the workforce became mobile, conducting business outside of the traditional office settings through the use of Personal Digital Assistants (PDAs), cellular phones and laptop computers. The initial users of mobile technology were salespeople and executive management; however, easier access to the internet allowed more employees to become "Telecommuters," who conducted work-related activities either from their homes or from some other remote location.

Technological advances in electronic communication may continue to decrease the need for traditional office setting while increasing the number of telecommuters. Electronic capabilities will also continue to affect outsourcing, off-shoring and globalization efforts by many organizations.

Collaboration technologies, currently being enhanced by Microsoft and IBM, enables companies to conduct "virtual meetings". In a virtual meeting, employees from remote locations conduct real-time meetings from their own computers using peer-to-peer software. Participants can see one another on computer screens, share computer space and make to product designs or contract documents via a "virtual whiteboard."

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## 17.8 Workforce Trends

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**a. Telecommuting:** Telecommuting is working from one's home or some other remote location outside the company's office. Telecommuting offers benefits to both employees and companies. For employees, telecommuting increases quality of life by enabling a meshing of personal and professional lives. The ability to work from home can assist workers with child/elder care issues, transportation restrictions, or employees who may be physically unable to report to work on a daily basis due to health-related issues (e.g., need for regular medical treatments such as dialysis or chemotherapy). Other economic benefits that companies can realize from telecommuting include productivity gains, reduced absenteeism, reduced employee turnover costs, reduced real estate costs, and reduced relocation costs to name a few.

**b. Globalization:** In the future, multinational companies (corporations operating in more than one country) may utilize telecommuting to attract local talent that can work effectively across international borders through electronic communication. Training such “home grown talent” can allow companies to reduce international relocation expenses, manage competition levels for talented resources, and reduce issues related to working in foreign countries such as personal safety, security, political, and regulatory issues.

Reducing globalization efforts through telecommuting can help to address some of the issues related to dealing with international workforces, such as language barriers, cultural relationship differences, and time zone differences that often lead to companies needing to maintain continuous operations known as “24/7”.

**c. Outsourcing/Off-shoring:** Outsourcing is defined as “turning over all or part of an organization’s information systems operation to outside contractors or service providers”. Outsourcing seems to be the wave of the future. Many companies are outsourcing parts of their operations in order to move parts of their businesses off site in order to focus on their core competencies and try to give them an advantage over their peers. One of the more popular departments which are outsourced is the Human Resources Department. This is because most companies aren’t focused on HR and their needs might be better served by an outside company. There are advantages and disadvantages to outsourcing this vital department.

Offshoring refers to outsourcing in another country. Conceptually, outsourcing and off-shoring can be viewed together, since both involve employing individuals outside of the organization to handle operational work.

There are some major drawbacks to sending operations overseas, such as a loss of domestic talent, loss of intellectual assets, decreased levels of customer satisfaction resulting from diminished organizational values that do not translate across cultures, and threats to organizational performance

### **Advantages of Outsourcing**

**a) Cost Savings:** The main benefit to outsourcing the HR department is the cost savings which will be associated with such a move. These cost savings can manifest themselves in several ways. Many times a company can get the same level of service for less cost. They can then use the savings to reinvest in their business. By doing this, they might be able to hire more people or operate more efficiently which might put them a step above their competitors.

**b) Regaining Primary Focus:** Outsourcing also allows a company to regain its primary focus. When there is an internal HR department, senior management may have to spend some time dealing with that department’s issues. This is time which might be better spent on whatever business the company is in. The company as a whole will begin to shift toward its primary business.

### **Disadvantages of Outsourcing**

**a) Employee Morale:** There are some drawbacks to outsourcing, however. The biggest of these is the morale of the employees of the outsourcing company. “Outsourcing” is a loaded word which brings connotations of sending jobs overseas and the loss of income. If the employees aren’t behind the move to an offsite HR department, there may be less productivity from them. Any company considering moving the HR department off site should carefully gauge the attitude of the employees to get a feel for how this will affect them.

**b) Loss of Expertise:** Another disadvantage to this process is a loss of in-house expertise. When there is an in-house HR department, any questions related to labor laws or benefits can be answered quickly and sufficiently. If the HR is done off-site, it can cause a delay in knowing how to proceed in an employee issue, or worse, a manager may act in conflict with the law, opening the company up to bigger issues in the

**c) Issues with the Workplace of the Future:** Security is the main issue facing companies with mobile workforces. Employees in the field, such as salespeople or telecommuters, have access to “mission critical” data and pose a significant threat to organizational systems security. There are numerous potential breaches of security related to mobile electronic devices such as PDAs and laptop computers that can be misplaced, stolen or damaged. The challenge facing IT departments is to protect sensitive company data, enable secure remote access, and provide user-friendly and productive electronic tools for its mobile workforce. IT departments must also implement an education process for training employees not to use unauthorized devices or install any unauthorized programs that might threaten the integrity of company data.

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## 17.9 E-Human Resource Management

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### Nature of e-HRM

E-HRM is the relatively new term for this IT supported HRM, especially through the use of web technology. The major goals of e-HRM are mainly to improve HR’s administrative efficiency/to achieve cost reduction. Next to these goals, international companies seem to use the introduction of e-HRM to Standardize/ harmonize HR policies and processes.

Though e- HRM hardly helped to improve employee competences, but resulted in cost reduction and a reduction of the administrative burden.

There is a fundamental difference between HRIS and e-HR in that basically HRIS are directed towards the HR department itself. Users of these systems are mainly HR staff. These types of systems aim to improve the processes within the HR departments itself, although in order to improve the service towards the business. With e-HR, the target group is not the HR staff but people outside this department: the employees and management.

HRM services are being offered through an intranet for use by employees. The difference between HRIS and e-HR can be identified as the switch from the automation of HR services towards technological support of information on HR services.

e-HRM is a way of implementing HR strategies, policies, and practices in organizations through a conscious and directed support of and/or with the full use of web-technology-based channels. The word ‘implementing’ in this context has a broad meaning, such as making something work, putting something into practice, or having something realized. e-HRM, therefore, is a concept - a way of ‘doing’ HRM.

The e-HRM business solution is designed for human resources professionals and executive managers who need support to manage the work force, monitor changes and gather the information needed in decision-making. At the same time it enables all employees to participate in the process and keep track of relevant information.

The e-HRM business solution excels in:

- Modularity
- The solution can be accessed and used in a web browser
- Security of data, protected levels of access to individual modules, records documents and their component parts
- Parametric and customizability
- Access to archived records and documents

- User-friendly interface
- Connectivity with the client's existing information system (payroll accounting, ERP, attendance registration, document systems...)
- Multi-language support

**Advantages of the e-HRM business solution:**

- Gradual implementation
- Adaptability to any client
- Collection of information as the basis for strategic decision-making
- Integral support for the management of human resources and all other basic and support processes within the company
- Prompt insight into reporting and analysis
- A more dynamic workflow in the business process, productivity and employee satisfaction
- A decisive step towards a paperless office
- Lower business costs

### **e-HR Activities**

We talk about using technology in HR functions. Here we focus on recruitment, selection, training, performance management and compensation.

**1. e- Recruitment:** e- recruitment strategy is the integration and utilization of internet technology to improve efficiency and effectiveness of the recruitment process. Most companies understand this and have begun the evolution by integrating e-recruitment strategy into their hiring process.

**e-Recruitment Methods:** Methods of E-recruitment are many, among those the more important ones are:

**Job Boards:** These are the places where the employers post jobs and search for candidates. Candidates become aware of the vacancies. One of the disadvantages is, it is generic in nature.

**Employer Websites:** These sites can be of the company owned sites, or a site developed by various employers. For an example, Directemployers.com is the first cooperative, employer-owned e-recruiting consortium formed by Direct Employers Association. It is a non profit organization formed by the executives from leading U.S corporations.

**Professional Websites:** These are for specific professions, skills and not general in nature. For an example, for HR jobs Human Resource Management sites to be visited like [www.shrm.org](http://www.shrm.org). The professional associations will have their own site or society.

**Advantages of e-Recruitment:** e-recruiting offers several benefits to the firms practising it

#### 1) Centralised Platform

- Collects candidate information in a standard format.
- Consolidate data from multiple recruitment sources.

#### 2) Streamline Workflow

- Automates workflow from job requisition to completion of the hiring process.
- Captures and files candidate information and history for future retrieval by all users of the system.

### 3) Better Communication and Increased Productivity

- Shares knowledge and information between hiring team members online in real time.
- Collaboration with colleagues to increase productivity.

### 4) Less Wastage of Paper

- Electronically collects and files information to reduce paper usage.
- Reduces manual administrative workload.

### 5) Candidates Pool

- Locates qualified candidates within a private pool of talent with precision.
- Centralized database collects and provides candidate information for various units and location.

### 6) Centralised Reports

- Provides consolidated HR reports for the entire organization.

### 7) Save Cost and Time

- Improves productivity and reduces hiring expenses in the long run.

### Drawbacks of E-Recruitment

- 1) Require being Computer Savvy:** The process is restricted within computer savvy candidates.
- 2) Legal Consequences:** Alike other recruitment sources this source also should be aware of the words used in the advertisements otherwise it may lead to the charge of discrimination.
- 3) Vast Pool of Applicants:** This benefits the Organizations as well as it is disadvantage to them also. Because the huge database cannot be scanned in depth. Either first few candidates are called for interview or the resumes are screened based on some key words.
- 4) Non-serious Applicants:** Lot of applicants forward their resumes just to know their market value.
- 5) Disclosure of Information:** Candidates profile and company details are available to public. The applicants do not want their employer to know that they are looking for a change. Phone number, address information has lead to many security problems. Again the companies do not want their competitors always to know the current scenario.

### Activity B:

1. Analyse the emerging trends in e-recruitment and prepare the report detailing the challenges and opportunities for the organization.

**2. e- Selection:** Usually it is difficult to decide where recruiting ends and selection begins. The main purpose of selection process is to distinguish individuals on the basis of important characteristics. In a changing environment, the speed of selection process becomes very important. There are many formal selection tools available to measure applicants on the characteristics:

- Work Samples
- Structured Interviews
- Personality inventories
- Situational Judgment Tests
- Cognitive Ability Tests

e-selection process is a paperless process where electronic documents and information can be quickly disseminated nationwide or worldwide.

**3. e- Performance Management:** e-performance management also known as Business Intelligence (BI) or Business Performance Management is a growing field. Use of technology in performance management leads to increment in productivity, enhances competitiveness, and motivates employees. This is possible through two ways:

- (i) Technology become a tool to facilitate the process of writing reviews or generating performance feedback.
- (ii) Technology may facilitate measuring individual's performance via computer monitoring activities. Examples here include multirater appraising that supervisors or team members generate online, as well as of-the-shelf appraisal software packages that construct an evaluation for a manager.

Technology can be applied in several ways in performance management. In the first place, routine jobs can be subject to computerized performance monitoring (CPM) system that helps generate performance data. Second, softwares are available that helps generate appraisal forms. Third, performance management system can be integrated with an overall enterprise resource planning system (ERP) software system. This helps HR professional to identify high performers, spot skill and competency gaps and to analyze pay relative to performance. With this information being available, HR manager can plan for training, coaching and education. Fourth, firm intranets and internet may also help performance management process. Fifth, stand-alone software packages are a great help in performance management system. The greatest benefits of appraisal software are the elimination of paperwork and simplification of the logistics for evaluators, workers and administrators.

**4. e-Learning:** e-Learning is the use of technology to enable people to learn anytime and anywhere. e-Learning can include training, the delivery of just-in-time information and guidance from experts. 13

e-Learning is learning that takes place in an electronically simulated environment. e-Learning, web-based training, internet-based training and computer-based training are the next-generation instruction methods being developed today. With e-Learning, users can immerse themselves in a three-dimensional environment to further enhance their learning experience. Moreover, e-Learning can be done anywhere and anytime as long as the user has the proper hardware. Today, e-Learning is fast becoming a reality through companies like Trainersoft and others.

e-Learning can be done using an internet connection, a network, an intranet, or a storage disk. It uses a variety of media like audio, text, virtual environments, video, and animation. e-Learning, in some ways, is even better than classroom learning methods as it is a one-on-one learning method, it is self-paced and it has an experiential-learning format.

As with any other forms of learning, e-Learning depends on its delivery method and content to ensure its success. For this reason, e-Learning modules have to be interesting, interactive and informative in order to be effective. Because it is computer/software based however, e-Learning has the capability of immersing its students completely within an environment most conducive to learning. This sets it apart from classroom-style learning.

### **Advantages of e-Learning**

#### **1) Lower Costs and Larger Capacity**

With e-Learning, students don't have to physically attend classes, seminars or training programs. e-Learning is web-based and disk-based so participants don't have to spend a lot of time away from their work. They can choose how much time or what specific time to devote to learning the subject matter offered.

A web-based e-Learning program is a lot less expensive to maintain. e-Learning program operators need only maintain the networking infrastructure that will deliver their e-Learning content to their students and participants. This is a small investment compared to what is required to pay for instructors and training personnel in classroom-style learning. Moreover, participants need not spend money on travel and other expenses just to attend seminars and training courses.

e-Learning also allows for more participants than traditional learning methods since the number of participants is not constrained by venue limitations.

## **2) Convenient Learning**

Students can fit their learning activities easily with their daily routine. They need not leave home to participate in an e-Learning program and learning does not require complex logistics. All a participant needs is a computer, internet connectivity, access to the web-based server, and if necessary, the special e-Learning software provided by the e-Learning program operators.

## **3) Easily Updated and Upgraded**

e-Learning modules can be easily revised. Activities can be easily added and incorporated. The e-Learning software can also be automatically updated by connecting to the server. This is definitely a lot faster than retraining professors and reprinting books and manuals. 14

- Class work can be scheduled around personal and professional work
- Reduces travel cost and time to and from school
- Learners may have the option to select learning materials that meets their level of knowledge and interest
- Learners can study wherever they have access to a computer and Internet
- Self-paced learning modules allow learners to work at their own pace
- Flexibility to join discussions in the bulletin board threaded discussion areas at any hour, or visit with classmates and instructors remotely in chat rooms
- Different learning styles are addressed and facilitation of learning occurs through varied activities
- Development of computer and Internet skills that are transferable to other facets of learner's lives
- Successfully completing online or computer-based courses builds self-knowledge and self-confidence and encourages students to take responsibility for their learning

## **Disadvantages of e-Learning**

- Unmotivated learners or those with poor study habits may fall behind
- Lack of familiar structure and routine may take getting used to
- Students may feel isolated or miss social interaction
- Instructor may not always be available on demand
- Slow or unreliable Internet connections can be frustrating
- Managing learning software can involve a learning curve
- Some courses such as traditional hands-on courses can be difficult to simulate

Knowing e-learning advantages and disadvantages helps with learning software selection as well as online distance learning programs structure and selection. It is important to know the merits and demerits of e-learning to make a decision..



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## 17.10 Challenges before HRM

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The HR Managers of today may find it difficult because of the rapidly changing business environment and therefore they should update their knowledge and skills by looking at the organization's need and objectives.

1. **Managing the Vision:** Vision of the organization provides the direction to business strategy and helps managers to evaluate management practices and make decisions. So vision management becomes the integral part of the process of Man management in times to come .
2. **Internal Environment:** Creating an environment which is responsive to external changes, providing satisfaction to the employees and sustaining through culture and systems is a challenging task.
3. **Changing Industrial Relations:** Both the workers and managers have to be managed by the same HRM Philosophy and this is going to be a difficult task for the managers of tomorrow.
4. **Building Organizational Capability:** Even in the adverse circumstances the employees have to be made to live in psychological state of readiness to continually change.
5. **Job Design and Organization Structure:** Instead of depending on foreign concepts we need to focus on understanding the job, technology and the people involved in carrying out the tasks.
6. **Managing the Large Work Force:** Management of large workforce poses the biggest problem as the workers are conscious of their rights.
8. **Employee Satisfaction:** Managers should be aware of techniques to motivate their employees so that their higher level needs can be satisfied.
9. **Modern Technology:** There will be unemployment due to modern technology and this could be corrected by assessing manpower needs and finding alternate employment.
10. **Computerized Information System:** This is revolutionary in managerial decision making and is having impact on coordination in the organization.
11. **Managing Human Resource Relations:** As the workforce comprises of both educated and uneducated, managing the relations will be of great challenge. One of the challenges HR managers face is **issues of up gradation** of the skill set through training and development in the face of high attrition. Indian companies are recognizing their responsibilities to enhance the employee's opportunity to develop skills and abilities for full performance within the position and for career advancement.

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## 17.11 HRM Practices In India

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### India's Changing HRM Horizon

The outlook to Human Resource Management in India has witnessed sea-change in last two decades. Economic liberalization in 1991 created a hyper-competitive environment. As international firms entered the Indian market bringing with them innovative and fierce competitiveness, Indian companies were forced to adopt and implement innovative changes in their HR practices. Increasing demand for skilled performers forced the companies to shift focus on attracting and retaining high-performing employees in a competitive marketplace.

**Emphasis on Employees:** Human Resource policies, forming the framework for the culture in the business management, create awareness towards the need to achieve the business goals in the best possible and

ethical manner. Indian companies have realized that in today's competitive business milieu, the quality of people you employ can make all the difference. In the last few years, the Human Resource has become a key player in strategic planning – it has come a long way from traditional HR operations like managing the recruitment process, handling staff appraisals.

**HRM Challenges:** One of the challenges HR managers face is issues of up gradation of the skill set through training and development in the face of high attrition. Indian companies are recognizing their responsibilities to enhance the employee's opportunity to develop skills and abilities for full performance within the position and for career advancement.

**Progressive HR Policies:** Today, most Indian companies are committed to providing equal employment opportunities for both men and women. The employers are increasingly realizing the value of trained human resource, especially women in India. Some organizations are changing their HR policies to stick with their valuable employees. MNCs like Pepsico are providing flexibility so that female employees at various life stages could benefit from these policies like working from a different city, sabbatical from corporate life, and extended maternity leave.

**Entrepreneurship by Employees:** India Inc. is encouraging 'intrapreneurs' or employees who have ideas that could potentially become a venture. Companies like Pepsico, NIIT, and Adobe are actively promoting practice of entrepreneurship by employees within the organization. Human Resource Management has taken a leading role in encouraging corporate social responsibility activities at all levels. Companies like Wipro inculcate corporate social responsibility values amongst its workforce right at the beginning during the induction process. Corporate presentations and keeping employees updated through regular newsletters are the instruments used by HR to keep employees energized about the organization's socially responsible initiatives.

Over the last decade, India's vast manpower has played an instrumental role in its economic success story. Indeed, the success of Indian companies is not based on superior access to raw materials or technology or patents, but fundamentally upon human skills. The synergy between the strategic planning and innovative HRM practices will be important as Indian Industries embarks itself on the global journey.

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### 17.12 Self Assessment Questions

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1. What do you understand by human resource management? Why is it needed?
2. Explain the role of HR manager in present times?
3. Discuss the recent trends or emerging issues in HRM?
4. Discuss the changing role of HRM. In which particular business areas HR can play its role?
5. What are the challenges faced by HR managers in present time?

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### 17.13 Reference Books

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