

# Introduction to HRM

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**(Structure)**

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## 1.1 Learning Objectives

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After studying the chapter, students will be able to:

- Understand the meaning and nature of HRM;
- Know the objectives of HRM;
- Discuss the importance of HRM;
- Discuss how HRM evolved;
- Know the difference between strategic and basic HRM;
- Know the difference between personnel management and HRM;
- Know the functions of a personnel manager;
- Understand the roles assumed by a personnel manager;
- Discuss the steps in sound growth of a personnel manager;
- Know the value context of HRM in India;
- Discuss the HRM practices in contemporary India;
- List the challenges faced by HR managers in India;
- Know the evolution of HR in times of globalization;
- Understand how to implement global HR systems.

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## 1.2 Introduction

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To extract the best out of people, the organization must provide a healthy work climate where they can exploit their talents fully while realizing goals assigned to them. They must have requisite skills to handle their jobs in a competent way. Above all, to get the best out of people, they must be managed well and this requires leadership. This is where human resource managers play a critical role in bridging gaps between employees' expectations and organizational needs by adopting appropriate human resource strategies and practices.

Of all the factors of production, viz., capital, land and labour—labour or man is undoubtedly the most crucial factor that makes or mars an organization. In fact, have you ever wondered what makes organizations different from one another? After all,

with the requisite capital, anybody could buy the most advanced technology, yet, not all organizations perform in the same way. The difference in achievements lies truly in the organizers or the men behind the machines. The greatest asset (or liability) of an organization is its people. Thus, if we borrow a phrase from democratic India's constitution, an organization is of the people, by the people and for the people.

The key role of personnel management lies in guiding the organization to contribute its optimum in the area of human resources for achieving the objectives. Apart from this, there are certain fundamental objectives of personnel management which flow from its concern for the human being and which should be uppermost in the minds of personnel men, viz., (1) due concern for the dignity of human labour and (2) ensuring equity and justice.

To work as an agent of change in an organization, the personnel manager must practise the principles of human values and ethical conduct in order to ensure achievement of the objectives of growth and development of human beings in the organization towards a motivated and integrated social group.

Globalization is a term in business that refers to the integration of an organization's operations, processes and strategies into diverse cultures, products, services and ideas. Because of its emphasis on diversity, globalization also has a deep impact on the way companies manage their employees. Understanding the effects of globalization on human resources can help managers to better equip their organizations for the increasingly global business environment.

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### 1.3 Meaning and Nature of HRM

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

#### Features of HRM

It has the following features:

- **Pervasive Force:** HRM is pervasive in nature. It is present in all enterprises. It permeates all levels of management in an organization.
- **Action Oriented:** HRM focuses attention on action, rather than on record keeping, written procedures or rules. The problems of employees at work are solved through rational policies.
- **Individual Oriented:** It tries to help employees develop their potential fully. It encourages them to give their best to the organization. It motivates employees

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through a systematic process of recruitment, selection, training and development coupled with fair wage policies.

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

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## 1.4 Scope of HRM

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

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

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## 1.5 Objectives of HRM

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The principal objectives of HRM may be listed as follows:

- **To Help the Organization Reach its Goals:** HR department, like other departments in an organization, exists to achieve the goals of the organization first and if it does not meet this purpose, HR department (or for that matter any other unit) will wither and die.
- **To Employ the Skills and Abilities of the Workforce Efficiently:** The primary purpose of HRM is to make people's strengths productive and to benefit customers, stockholders and employees.
- **To Provide the Organization with Well-trained and Well-motivated Employees:** HRM requires that employees be motivated to exert their maximum efforts, that their performance be evaluated properly for results and that they be remunerated on the basis of their contributions to the organization.
- **To Increase to the Fullest the Employee's Job Satisfaction and Self-actualization:** It tries to prompt and stimulate every employee to realize his potential. To this end suitable programmes have to be designed aimed at improving the Quality of Work Life (QWL).
- **To Develop and Maintain a Quality of Work Life:** It makes employment in the organization a desirable, personal and social, situation. Without improvement in the quality of work life, it is difficult to improve organizational performance.
- **To Communicate HR Policies to all Employees:** It is the responsibility of HRM to communicate in the fullest possible sense; tapping ideas, opinions and

feelings of customers, non-customers, regulators and other external publics as well as understanding the views of internal human resources.

- **To be Ethically and Socially Responsive to the Needs of Society:** HRM must ensure that organizations manage human resource in an ethical and socially responsible manner through ensuring compliance with legal and ethical standards.

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## 1.6 Importance of HRM

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

Human Resource Management helps an organization and its people to realize their respective goals at various levels discussed below:

### **At the Enterprise Level**

Good human resource practices can help in attracting and retaining the best people in the organization. Planning alerts the company to the types of people. It will need in the short, medium and long run.

It helps in training people for challenging roles, developing right attitudes towards the job and the company, promoting team spirit among the employees and developing loyalty and commitment through appropriate reward schemes.

**At the individual level:** Effective management of human resources helps employees in the following ways:

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

**At the society level:** Society, as a whole, is the major beneficiary of good human resource practices. HRM benefits in the following ways:

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

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

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## 1.7 Evolution of HRM

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Management of people has taken many twists and turns over the last hundred years especially in India where concepts grew out of necessities of changing times. Some benchmarks can be identified as under:

### **Concept of Welfare Management (1920-1940's)**

In the first two decades of this century, exploitation of labour was an important issue and welfare officers were recruited. Factories Act also gave impetus to this aspect of management. It was not only welfare but also entire management of people which worked in the organizations.

### **Concept of Personnel Management (1950-1970's)**

The role of personnel management was new awareness out of growing interest in western countries about people management. Human relation movement gave encouragement to this phase. As a result welfare concept expanded to cover establishment and appraisal functions.

### **Concept of Human Resource Development (1970-1980's)**

Training and development had enormous growth after organizational development concept caught the imagination. HRD emphasized the aspects of development and considered each man centre of it.

### **Concept of Human Resource Management (1980 onwards)**

Human resource management refers to holistic approach to manage people. It has welfare, recruitment and establishment role, potential development in a composite framework of management. HRM believes that entire genius of human management has to be treated together and not in parts. In this book personnel management is referred to as an integral part of HRM which courses various dimensions in an effort to give organizations best human inputs not merely as production but also to make people achieve a degree of self-realization.

The early part of the century saw a concern for improved efficiency through careful design of work. During the middle part of the century emphasis shifted to the availability of managerial personnel and employee productivity. Recent decades have focused on the demand for technical personnel, responses to new legislation and governmental

regulations, increased concern for the quality of working life, total quality management and a renewed emphasis on productivity. Let us look into these trends more closely by examining the transformation of personnel function from one stage to another in a chronological sequence:

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**Table 1.1**

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

**1.8 Systems Approach to HRM**

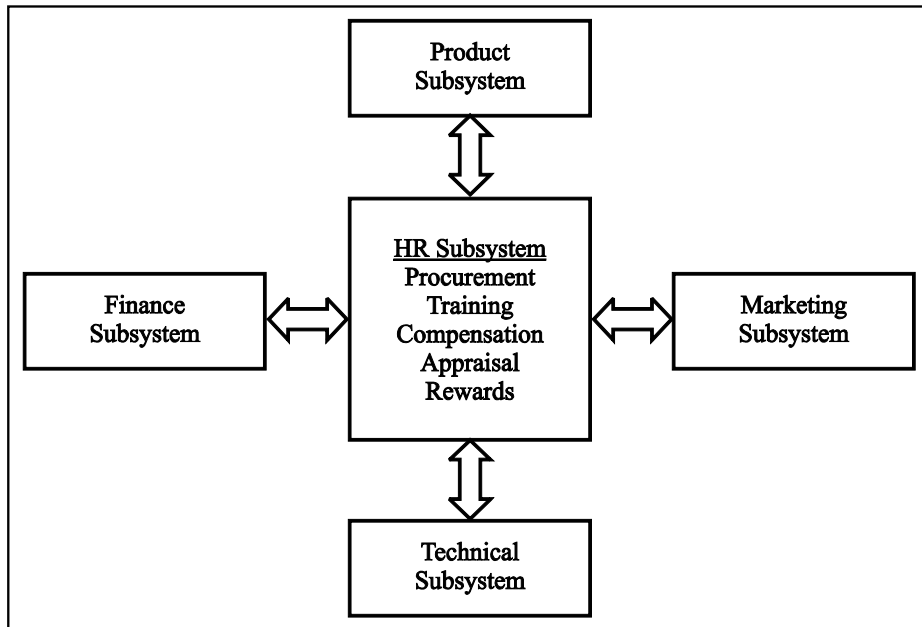
A system is a set of interrelated but separate elements or parts working towards a common goal. A university, for example, is made up of students, teachers, administrative and labouratory staff who relate to one another in an orderly manner. What one group does have serious implications for others? So, they have to be communicating with each other in order to achieve the overall goal of imparting education. The enterprise operations, similarly, must be viewed in terms of interacting and interdependent elements. The enterprises procure and transform inputs such as physical, financial and human resources into outputs such as products, services and satisfactions offered to people at large. To carry out its operations, each enterprise has certain departments known as subsystems such



as production subsystem, finance subsystem, marketing subsystem, HR subsystem, etc.

Each subsystem consists of a number of other subsystems. For example, the HR subsystem may have parts such as procurement, training, compensation, appraisal, rewards, etc. If we were to view HR subsystem as crucial to organizational performance, an organization presents itself as shown in Fig. 2.1 given below.

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**Fig. 1.1: HRM as a Central Subsystem in an Enterprise**

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

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## 1.9 HRM and Competitive Advantage

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Competitive advantage refers to the ability of an organization to formulate strategies to exploit rewarding opportunities, thereby maximizing its return on investment. Competitive advantage occurs if customers perceive that they receive value for their transaction with an organization. This requires single-minded focus on customer needs and expectations. To achieve this, the organization needs to tune its policies in line with changing customer's requirements. The second principle of competitive advantage derives from offering a product or service that your competitor cannot easily imitate or copy. An organization should always try to be unique in its industry along dimensions that are widely valued by customers.

For example, Apple stresses its computers' usability, Mercedes Benz stresses reliability and quality; Maruti emphasizes affordability of its lower-end car Maruti 800. In order to enjoy the competitive advantage, the firm should be a cost-leader, delivering

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value for money. It must have a committed and competent workforce. Workers are most productive if (i) they are loyal to the company, informed about its mission, strategic and current levels of success, (ii) involved in teams which collectively decide how things are to be done and (iii) are trusted to take the right decisions rather than be controlled at every stage by the managers above them (Thompson). A good team of competent and committed employees will deliver the goals if they are involved in all important activities and are encouraged to develop goals that they are supposed to achieve. In recent years, a new line of thinking has emerged to support this view-known as Strategic Human Resource Management (SHRM).

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### 1.10 Strategic Human Resource Management

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SHRM is the pattern of planned human resource developments and activities intended to enable an organization to achieve its goals (Wright and McMahan). This means accepting the HR function as a strategic partner in both the formulation of the company's strategic, as well as in the implementation of those activities through HR activities. While formulating the strategic plan HR management can play a vital role, especially in identifying and analyzing external threats and opportunities (environmental scanning) that may be crucial to the company's success. HR management can also offer competitive intelligence (like new incentive plans being used by the competitors, data regarding customer complaints, etc.) that may be helpful while giving shape to strategic plans. HR function can also throw light on company's internal strengths and weaknesses.

For example, IBM's decision to buy Lotus was probably prompted in part by IBM's conclusion that its own human resources were inadequate for the firm to reposition itself as an industry leader in networking systems (Dessler). Some firms even develop their strategies based on their own HR-based competitive advantage. Software Majors, Wipro and TCS have not slowed down their recruitment efforts during the lean periods, pinning hopes on their own exceptionally talented employee teams. In fact they have built their strategic and operating plans around outsourcing sourcing contracts from the US, Europe, Japan and Germany that would help them exploit the capabilities of their employees fully.

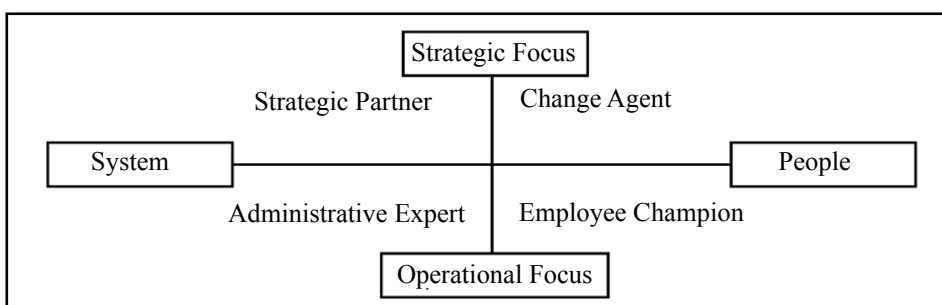
HR has a great role to play in the execution of strategies. For example, HDFC's competitive strategy is to differentiate itself from its competitors by offering superior customer service at attractive rates (searching the right property, finishing legal formalities, offering expert advice while negotiating the deal, competitive lending rates, fast processing of applications, offering other financial products of HDFC at concessional rates, door-to-door service as per customers' choice, etc. (HDFC's growth architecture, Business Today, Jan 6, 2001). Since the same basic services are offered by HDFC's competitors such as LIC Housing Finance, GIC Housing Finance, banks and private sectors, players like Dewan Housing Finance, Ganesh Housing, Live Well

Home, Peerless Abassan, etc. HDFC's workforce offers a crucial competitive advantage (highly committed, competent and customer-oriented workforce). HR can help strategy implementation in other ways. It can help the firm carry out restructuring and downsizing efforts without rubbing employees on the wrong side, say, throughout placing employees, linking rewards to performance, reducing welfare costs, and retraining employees. HR can also initiate systematic efforts to enhance skill levels of employees so that the firm can compete on quality.

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

### 1.11 Traditional HR versus Strategic HR

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



**Fig. 1.2: The Evolving Strategic Role of Human Resource Management**

Strategic HR shifts attention, as against the traditional HR's focus on employee relations, to partnerships with internal and external groups. The focus on managing people is more systemic with an understanding of the myriad factors that impact employees and the organization and how to manage multiple relationships to ensure satisfaction at all levels of the organization. Strategic HR is transformational in nature, in the sense that it

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helps the people and the organization to adopt, learn and act quickly. “It will make sure that change initiatives that are focused on creating high performance teams, reducing cycle time for innovation, or implementing new technology are defined, developed and delivered in a timely way” (ULRICH, 1998).

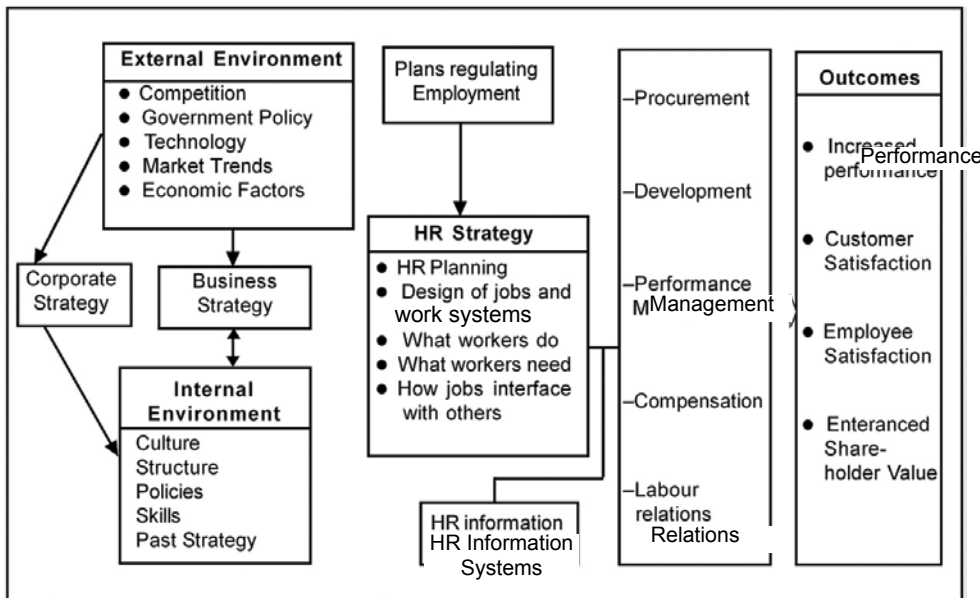
Strategic HR is proactive and considers various time frames in a flexible manner. Likewise it permits employees to process work and carry out job responsibilities in a free-flowing way. Rather than being enveloped by tight controls and excessive regulations, operations are controlled by whatever is necessary to succeed, and control systems are modified as needed to meet changing conditions. Job design is organic, specialization is replaced by cross training and independent tasks are replaced by teams, encouraging autonomy at various levels. Above all, strategic HR believes that the organization’s key assets are its people. It realises that an organization can have competitive edge over its rivals if it is able to attract and retain knowledge workers who can optimally utilize and manage the organization’s critical resources. In the final analysis people are the organization’s only sustainable competitive advantage [Pfeffer, 1994]. While running the show, strategic HR, of course, argues that any individual in an organization that has responsibility for people is an HR manager, regardless of the technical area in which he or she works.

Strategic HR offers three critical outcomes: increased performance, enhanced customer and employee satisfaction and increased shareholder value. These outcomes are accomplished through effective management of staffing, retention and turnover processes, selection of employees that fit with both organizational strategy and culture, cost-effective utilization of employees through investment in identified human capital with the potential for higher return; integrated HR programmes and policies that clearly follow from corporate strategy; facilitation of change and adaptation through a flexible, more dynamic organization; and tighter focus on customer needs, emerging markets and quality.

**Table 1.2: Traditional HR versus Strategic HR**

Point of distinction	Traditional HR	Strategic HR
Focus	Employee Relations	Partnerships with internal and external customers
Role of HR	Transactional– change follower and respondent	Transformational– change leader and initiator
Initiatives	Slow, reactive, fragmented	Fast, proactive and integrated
Time horizon	Short-term	Short, medium and long (as required)
Control	Bureaucratic–roles, policies, procedures	Organic–flexible, whatever is necessary to succeed

Job design	Tight division of labour; independence, specialization	Broad division of labour; flexible, cross-training teams
Key investments	Capital, products	People, knowledge
Accountability	Cost centred	Investment centred
Responsibility of HR	Staff specialists	Line managers



Source: Mello

**Fig. 1.3: A Model of Strategic Human Resource Management**

### Difference between Personnel Management and HRM

Personnel Management is basically concerned with people at work and their relationships with each other. There have been different definitions of personnel management by different authors. The Institute of Personnel Management, UK, has defined personnel management as follows:

Personnel management is that part of the management function which is concerned with people at work and with their relationships within an enterprise. Its aim is to bring together and develop into an effective organization the men and women who make up an enterprise and, having regard to the well-being of an individual and of working groups, to enable to make their best contribution to its success.

In particular, personnel management is concerned with the development and application of policies governing the following factors:

- Manpower planning, recruitment, selection, placement and termination;
- Education and training and career development;

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- Terms of employment and methods and standards of remuneration;
- Working conditions and employees' services;
- Formal and informal communication and consultation, both through the representatives of employers and employees and at all levels throughout the enterprises;
- Negotiation and application of agreements on wages and working conditions and procedures for avoidance and settlement of disputes.

Personnel management is also concerned with the human and social implications of change in the internal organization and methods of working and of economic and social changes in the community which inevitably send their reverberations through the organizational system.

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### 1.12 Dimensions of Personnel Management

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The functions of personnel management given above would hardly make a definition. It is more or less a description of personnel activities. We define a term to understand the differentia and to identify our own framework to an area of knowledge. Keeping this in mind, it is appropriate to define personnel management as a specialized knowledge and art concerned with the management of human resources in an organization. Personnel management deals with the entire gamut of human resources and constitutes a significant activity of the management in understanding its work force, developing their potentials to meet the needs of the organization, organizing them in viable and productive groups, attracting and selecting suitable talent, giving them the necessary motivation and maintaining their morale at a high level.

Personnel management should not, however, remain confined to the routine activities of recruitment of manpower or negotiations. It is more than an activity concerned with the rituals of an organization. More important areas in which personnel management is finding scope and application relate to the developmental area of human resources and to the entire actions of the leadership of an organization connected with the motivation of men towards the objectives of an enterprise.

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### 1.13 Objectives of Personnel Management

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This topic leads us to the question: What are the objectives of an organization? Peter Drucker has correctly stated that the primary objective of an organization is survival. In fact, this objective is primary to all existing institutions as well as organisms and the rest of the functions flow from this objective. If an organization needs profits for survival, it has to concentrate on survival by means of profits, and if an organization must grow to survive, it must concentrate on growth. Broadly speaking, the objective of an organization is profitable growth.

Given this overall objective of an organization, the key role of personnel management lies in guiding the organization to contribute its optimum in the area of human resources for achieving the objectives. Apart from this, there are certain fundamental objectives of personnel management which flow from its concern for the human being and which should be uppermost in the minds of personnel men, viz., (1) due concern for the dignity of human labour and (2) ensuring equity and justice.

To work as an agent of change in an organization, personnel man must practise the principles of human values and ethical conduct in order to ensure achievement of the objectives of growth and development of human beings in the organization towards a motivated and integrated social group.

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### 1.14 Difference between Personnel Management and HRM

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The differences between personnel management and HRM are as follows:

- Personnel management is a traditional approach of managing people in the organization. Human resource management is a modern approach of managing people and their strengths in the organization.
- Personnel management focuses on personnel administration, employee welfare and labour relation. Human resource management focuses on acquisition, development, motivation and maintenance of human resources in the organization.
- Personnel management assumes people as an input for achieving desired output. Human resource management assumes people as an important and valuable resource for achieving the desired output.
- Under personnel management, personnel function is undertaken for employee's satisfaction. Under human resource management, administrative function is undertaken for goal achievement.
- Under personnel management, job design is done on the basis of division of labour. Under human resource management, job design function is done on the basis of group work/team work.
- Under personnel management, employees are provided with less training and development opportunities. Under human resource management, employees are provided with more training and development opportunities.
- In personnel management, decisions are made by the top management as per the rules and regulation of the organization. In human resource management, decisions are made collectively after considering employee's participation, authority, decentralization, competitive environment, etc.
- Personnel management focuses on increased production and satisfied employees. Human resource management focuses on effectiveness, culture, productivity and employee's participation.

- Personnel management is concerned with personnel manager. Human resource management is concerned with all level of managers from top to bottom.
- Personnel management is a routine function. Human resource management is a strategic function.

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### 1.15 Functions of a Personnel Manager

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A personnel manager, charged with fulfilling the aforementioned objectives of an organization, should be a leader with high intellectual powers, a visionary and a philosopher who provides the initiative to shape the future in terms of leading the human beings in an organization towards more prosperous and progressive policies. It is rather unfortunate that most textbooks on personnel management lay down very trite qualities that a personnel manager must possess. This leads many organizations to place men with a low growth potential and moderate intellectual endowments in personnel function, leading to the stultification of the growth of human resources. In India, personnel management is still a growing function, the compulsions of business and industry, more particularly after the growth of industrialization in the past two decades, has led organizations to concentrate their attention and effort on economic and technological areas. The top talent of the country is, therefore, attracted to the fields of engineering, medicine or finance. As a result of this the key dimension of human relations in an organization has been receiving but inadequate attention. It has been the author's observation that in many small as well as large organizations, both in the public sector and the private sector, problems in the area of human relations result from the basic error of placing a personnel manager/administrator in a key position without adequately considering his intellectual qualities, awareness, or his human and social skills. "Philosophers must be kings" is an old adage that Plato enshrined in his *Republic*. In the modern Indian context where neither philosophers nor kings would probably meet, a key function such as personnel management needs to be assigned to the top talent in the organization. What then is the role that a personnel administrator is expected to perform in an organization? One may classify the role of a personnel man in an organization into the seven main facets which are now discussed.

#### Personnel Manager as an Intellectual

The basic skill in the personnel field as compared to technologists or financial experts is the skill to communicate, articulate, understand and, above all, to be an expert when it comes to putting policies and agreements in black and white. The personnel manager's skill lies in his command over the language. A personnel manager has to deal with employees and he must possess the skills of conducting fruitful and systematic discussions and of communicating effectively. He should also be in a position to formulate principles and foresee the problems of the organization. This means that he would require the mental ability to deal with his people in an intelligent manner as well as to understand what they



are trying to say. A personnel manager must not be a mediocre person who is just able to carry on the work with the assistance of his subordinates. When it comes to drafting agreements and framing policies, he should himself be the master craftsman where the validity of language is of prime importance.

### **Personnel Manager as an Educator**

It is not enough that a personnel manager has command over the language, which, however, remains his primary tool. He should be deeply interested in learning and also in achieving growth. Basically, human beings like to grow and realize their full potential. In order to harmonize the growth of individuals with that of the organization, a personnel manager must not only provide opportunities for his employees to learn, get the required training and assimilate new ideas but also he himself should be a teacher. A personnel manager who simply pushes files and attends labour courts for conciliation purposes and other rituals of legal procedure for the settlement of industrial disputes is not a personnel manager of the future. While these functions will continue to be performed, he must be able to rise above them and think of his people and himself as changing entities in a growing organization.

### **Personnel Manager as a Discriminator**

A personnel manager must have the capacity to discriminate between right and wrong, between that which is just and unjust and merit and non-merit. In other words, he should be a good judge when he sits on a selection board, a fair person when he advises in the disciplinary matters and a good observer of right conduct in an organization. He should be a problem-sensor and also adept in spotting merit amongst his men.

### **Personnel Manager as an Executive**

The personnel manager must execute the decisions of the management and its policies with speed, accuracy and objectivity. He has to streamline the office, tone up the administration and set standards of performance. He has to coordinate the control functions in relation to the various other divisions and, in doing so, he should be in a position to bring unity of purpose and direction in the activities of the personnel department. He must ask relevant questions and not be merely involved in the office routine activities whereby the status quo is maintained. He should have the inquisitiveness to find out causes of delay, tardy work and wasteful practices, and should be keen to eliminate those activities from the personnel functions which have either outlived their utility or are not consistent with the objectives and purposes of the organization.

### **Personnel Manager as a Leader**

Being basically concerned with people or groups of people, and being placed in the group dynamics of various political and social functions of an organization, a personnel manager must not shirk the role of leadership in an organization. He, by setting his

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own example and by working towards the objectives of sound personnel management practices, must inspire his people and motivate them towards better performance. He should resolve the conflicts of different groups and build up teamwork in the organization. He must use all the social skills at his disposal to harmonize various interest groups and conduct conferences as well as meetings on human relations with the clear purpose of achieving profitable growth.

**Personnel Manager as a Humanist**

Deep faith in human values and empathy with human problems, especially in less developed countries, are the sine qua non for a personnel manager. He has to deal with people who toil at various levels and partake of their joys and sorrows. He must perform his functions with sensitivity and feeling.

**Personnel Manager as a Visionary**

While every leading function of an organization must evolve its vision of the future, the primary responsibility for developing the social organization towards purposive and progressive action falls on the personnel manager. He should be a thinker who sets the pace for policy-making in an organization in the area of human relations and should gradually work out new patterns of human relations management consistent with the needs of the organization and the society. He must ponder on the social obligations of the enterprise, especially if it is in the public sector, where one has to work within the framework of social accountability. He should be in close touch with socio-economic changes in the country. He should be able to reasonably forecast future events and should constantly strive to meet the coming challenges.

The foregoing matter has not been presented with a view to specify the qualities of a superman. These are goals and desirable traits which should lead to the performance of expected roles. All men in the job may not have the optimum degree of these attributes, but it is worth striving for the attainment of these norms. The central theme of this specification of norms is to eliminate the prevailing attitude of placing anyone in the personnel role and to underline the need for assigning this sensitive area of human relations to a perceptive and talented man. This alone will pave the way for the reorientation of our approach to manpower utilization and development.

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**1.16 Responsibilities of a Personnel Manager**

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Every organization needs people who are not just dedicated to their field of work, but are also aware of the challenges they face and how they can come over it. Only with this knowledge can a company survive and hope for making an impacting growth. Apart from a strong CEO, management team, and committed employees, an HR manager is someone who helps shape the company.

But what does a Human Resource (HR) manager do? If you wish to become one, there are certain responsibilities and functions you are required to know. An HR manager or Human Resources manager has many roles and responsibilities in the corporate. From hiring people to employee retention, the manager duties can never end or reduce. He/she has a huge obligation towards the company as it is essential to identify the talent of each employee, utilize their talents, and position the employee best suited for a particular role. Depending on the size of an organization, the manager has many overlapping responsibilities as well. Even though there are certain set or fixed roles that the manager has to perform, the need of taking up different tasks may also arise. Apart from this, we have listed a few more essential roles and responsibilities below:

- **Recruitment Procedure:** One of the initial responsibilities is recruiting efficient employees for the company that will deliver the best of their abilities. As the recruitment procedure can be quite expensive for the company, it is imperative not to make an error during the process. If dedicated, honest, intelligent, trustworthy, and deserving candidates are not segmented, the entire company can suffer.
- **Hiring Employees:** Hiring is also one of the most important duties, be it long term or short term. Every individual has a unique set of talents, educational background, and skills that can benefit an organization. Keeping that in mind, He/she should possess an eye for searching these talented people for the company's growth. It all rests on his/her shoulders to carry out this task.
- **Training and Developing Employees:** The new employees or the old employees entering various departments need to undergo employee training for their specific roles. Not everyone is knowledgeable of what other departments are doing or what their key roles are. The manager has to train these employees such that there will be no compatibility issues with the work assigned later on.
- **Organization Development:** This is again one of the key areas where the manager has to execute to the fullest. Development of an organization is a responsibility which includes peculiar organizational culture, making the team more effective by introducing events intervening employees in a formal, and informal way; thus impacting the business.
- **Bridge for Communication:** He/she holds a significant role in reducing the gap between the employees and the employers. Communication as well, in terms of change management, work relationships and environment, interviews and relevant questions, taking actions regarding discipline, resolving conflicts between workers, and acknowledging employees for their hard work by giving out certificates and rewards, etc.
- **Employee Performance:** He/she has to evaluate performances of the employees and determines the appropriate wages, bonuses, employee performance appraisals, and wage increase. He/she has to note the key performance indicators

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set for each employee and assess them accordingly. Assessment of employee performance works in both company's and employees' advantage, making the duties increase furthermore.

- **Consultation for Employees:** In case of any issues or misunderstandings, the manager has to come into play and neutralize the scenario. He/she also suffices the role of being a mentor or helping employees cope up with bad bosses. He/she helps inspire employees, build their spirits, and employee motivation to the best of the organization.
- **Advocating Company Policies:** You can create policies if and when there is a confusion regarding behaviour, handling situations, harassment and sexual harassment, making rules that are standard to other organizations, and for the current organization; along with considering fair treatment of employees.
- **Wages and Benefits:** He/she has the power to decide the wages offered to an employee or to a recruit. Human resources management decides the break-up of salary and benefits the employee can avail during the tenure of work with the organization. Benefits may include, travel allowances, HRA (Health Reimbursement Arrangements), medical, etc., depending from organization to organization.
- **Teamwork and Team Spirit:** He/she helps in building a team effective for working under circumstances and makes sure that right people are included in the team, minimizing conflicts and increasing productivity. The manager decides the team right from the team leader to the lowest ranking employee.
- **Relations amongst Employees:** One of the fundamental responsibilities and duties of an HR manager is to implicate fair labour laws and policy, hiring people with disabilities. Working in congruence with the US Department of Labour, Medical and Family Leave act. How to avoid legal problems, in case of employment termination. Managing paid, casual leaves and so on. Significance of Strategies: To imply strategy for the growth of the company along with the employees and also ensure complete and effective work of HR administration.

Other than the above-mentioned responsibilities, there are other various roles and duties in any organization like, security, handling travel and tickets, records management, etc. The manager is the soul of the organization helping develop and grow employees, along with the company.

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### 1.17 Personnel Management as a Profession

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The profession of personnel management is an outcome of a latter-day differentiation of the same process of growth. Personnel management, being a newer discipline, suffers from the pangs of growth or the learning process through which every profession has

to pass. Not only is it concerned with human beings, their aspirations and their struggle for existence but it also represents a profession which affects all other professions and has some impact on the diverse activities of an organization. This is the limitation of the profession as well as its charter of growth and relevance.

Before discussing the question of professionalism in personnel management in India, it would be proper to define and outline the approach to the question of professionalism.

Professionalism in the field of business management refers to management by trained managers, who by virtue of their skills and specialized knowledge, can provide optimum results. The key terms in professionalism, therefore, are (1) trained managers (2) skills and specialized knowledge and (3) pursuit of excellence through better performance.

The performance of personnel managers in India with respect to these three terms has to be considered to evaluate the working of the profession and its contributions.

### **Induction of Personnel Executives**

To study professionalism in personnel management, we need to study the entry of new recruits which would give us an idea as to who becomes a personnel executive. Today, it seems the man who enters the personnel field is one who could not become a doctor or engineer or chartered accountant and has chosen this profession as the last resort. He is also one who could not be an army officer or an administrator in the civil services. In any country, the priorities will depend upon the opportunities and attractions which a profession provides. The fact that in the eyes of most people the personnel function occupies a relatively low priority, shows that it holds less growth potential and promise for the younger generation. This leads to qualitative constraints on the growth of the profession. But this is a vicious circle: the lack of entry of talented and gifted people restrains the growth of the profession; at the same time, growth and opportunities in the profession can only be achieved by organizational recognition of the profession and an increase in the opportunities for personnel men. But how do our organizations view the profession?

1. In spite of the rapid industrialization and the growth of different professions, opportunities in personnel are not growing in the same proportion. This has its own impact on professionalization. On the other hand, the very lack of proper training and specialization restricts the utility of the executives to the organization resulting in a throttling of its growth. The results of a sample study of executive position being advertised in the national press for the intake in different professions in the industry are now given.

It appears from the foregoing limited data that opportunities in personnel are low. Of the 2036 posts covered in this study, only 1.9 per cent fell within the share of personnel executives. The data with regard to banking are not very representative since they cover the probationer trainees, etc., advertised only for a particular month. Even then, banking is a major profession rapidly growing in size. Other

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sectors, being more realistically represented in the study, also tend to underscore the fact that technical and marketing fields constitute major areas of recruitment. In a country with a large labour force and unlimited potential for making the human resource more productive and effective, such insignificant growth of personnel is symbolic of the stunted growth of the personnel profession and the relatively low priority assigned by the industry to this important function.

2. Many organizations, especially the relatively small ones, feel no necessity for personnel functions. For instance, if a man has a small shop, he does not require a personnel manager. The management of human resources starts only with the growth in the size of the organization. The larger the size, the larger the stake in the working of the human group and the larger the need for skills of personnel management. So, most of the organizations, mostly the smaller ones and which can administer people with the help of consultants or through special care taken by the chief executive, are not interested in inducting personnel executives.
3. Medium and large sized organizations, which induct personnel executives, have varying considerations for doing so. Some organizations induct personnel executives because there happens to be a division dealing with personnel management. Some organizations are conscious of the needs of human groups in the organization and they not only have a personnel philosophy and policy but also feel the necessity for taking in specialized and qualified trained personnel for implementing a well-laid system of personnel practices. In such organizations, personnel executives are taken in from various sources ranging from management institutes to successful or less successful people in other professions. It is difficult to say whether such medium and large-sized organizations are inducting personnel executives due to the necessities engendered by the size of their problems or out of a conscious awareness only to fulfil their own needs.

Irrespective of the size of an organization, there are certain considerations that may be called fallacious attitudes which have been witnessed for the last few years. One such attitude represents the thinking of many chief executives that any mediocre or average person with a mixture of experience and intuition can deal with the personnel functions of this organization. This belief has paved the way for many mediocre people to be inducted into the personnel profession. Another factor which runs parallel to the same thinking is that there can be no specialization as such in the personnel function. The result of such beliefs is that anyone at any time is thought to be capable of working in personnel; no specialized department or organization need be provided for personnel management. If some personnel executives are needed, they are inducted from the line function and go back after serving as personnel executives for some time. Yet another practice, which inevitably creeps in from the above assumptions that are widely prevalent in many organizations, is to accommodate surpluses in personnel management.

## 1.18 Steps for Sound Growth

Let us consider individually the steps that need to be taken to ensure proper growth and professionalization in personnel management.

### Training

Any specialization needs a thorough and intensive training. At present, there are different courses offered in social welfare and personnel management. The duration of most of these courses ranges from six months to one year. There are also degrees in social work and business administration awarded after two years training by different universities and institutions. All the courses are not adequate to equip a candidate with what needs to be imparted to a personnel specialist. A personnel specialist needs grounding in many disciplines, but his core specialization has to be organizational behaviour. In short, personnel executives must concentrate on dealing with human beings and groups in any industry or organization, i.e., concentrate on industrial and social psychology. All that passes at present under the guise of behavioural sciences is but a mixture of elements of various disciplines and is quite inadequate. A Masters in psychology or sociology is nearer to the requirements of the personnel profession, provided it also has a strong mixture of some of the following disciplines:

1. Industrial engineering
2. Industrial law
3. Wage economics and statistics
4. Behavioural skills for conflict management.

A postgraduate course in personnel management for two years, tailored on the above lines, alone can meet the requirements. Let it be made clear that diplomas or degrees in business administration teach too many things and are too irrelevant to the needs of the profession. No doubt, all education is beneficial, but here we are concerned with specialization. Besides this, academic institutes must consider offering specialization courses in certain selected fields beyond the postgraduate level. A four-year course after graduation with a doctorate in specialized areas also needs to be considered. Only such steps can improve the quality, calibre and intellectual input of the profession. Only after this, can it claim parity with medical, engineering or finance professions.

Let us consider another aspect of training. After a person has been inducted into the profession, it is also essential to train him, depending on his needs, in the following areas:

1. Refresher courses and seminars
2. Advanced techniques, discoveries and new knowledge
3. Dealing with new problems and changes in the external environment.

Most of the seminars conducted do not have a pattern. The organizers do not insist on effective and proper participation in the wake of the rat race among various

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institutions to run courses and enlist a greater number of participants. The level of seminars meant for particular positions are always turned into mixed groups. It is a pity that seminar activity has become more of a competitive game rather than a structured learning situation. An institution like the National Institute of Personnel Management (NIPM) must evolve standards in this field and hold them high. These standards should be communicated to other related bodies including universities. It is time to consider as to how much of its resources and energy the NIPM is spending not only on holding seminars/conferences but also in evolving standards and conducting research on the training of personnel executives. The Institute is yet to take any meaningful steps in this direction. It is still at the stage of a diploma programme, which has its own problems. The NIPM needs to bring out a policy paper on 'Education and Training in Personnel' based on deliberations of experts. The exercise held a few years back needs to be taken to its logical conclusion and then implemented with a missionary zeal.

### **Ethics**

No profession will ever acquire status and dignity without a code of conduct of its own like the Hippocratic oath for medical doctors. The NIPM brought out a code of ethics for personnel managers, which was widely circulated. This is a statement of pious intentions, whereas it should have been a set of commandments aiming at strict standards of conduct and performance. How many of the members have been violating its all pervasive provisions? A code has to be different from objectives. A more important aspect of its value is its enforcement. The implementation of the code should be jealously guarded by its adherents. The NIPM shortly needs to reshape its code of ethics and set up a body for its formulation and implementation.

### **Performance**

Personnel men must perform and perform for the pursuit of excellence. An organization today and in the future, will have no place for those disciplines which do not show results. A profession is known and recognized by the changes it can bring about in the area of its specialization. Doctors must heal. If they cannot, they will cease to represent their profession, thus entering the arena of quacks. Similarly, personnel men must demonstrate results in the area of human behaviour and work.

A great deal of hesitation and vacillation dominates the personnel profession today. If one is dealing with causes of industrial unrest, all factors—from government's failure to enforce laws to workers' indiscipline to weather—are put forward. Nowhere is any mention made of the quality of personnel and industrial relations men. In places where there are good personnel men and professional personnel policies, what difference have these made? This aspect needs to be thoroughly studied. What happens generally is this: if a personnel man is asked to show results, he resorts to one of the following pleas:

- "It is very difficult to quantify results."



- “What can I do? Line men do not cooperate.”
- “If the legal machinery fails, what can be done by personnel people.”
- “In our job we get brickbats from all and credit from none.”
- “Our contribution is not measurable, we are catalysts.” And so on.

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This attitude of complacency and escapism, in spite of the visible truth in some of the statements, must be shed. Instead, the following measures are suggested:

1. That performance by the personnel people can be demonstrated in many areas, such as problem-solving, grievance-handling and motivation.
2. That many problems in an organization are psychological rather than logical or economical. Personnel specialists can handle these better.
3. That the effectiveness of personnel executives to act as change agents needs to be recognized.

It may be true that one cannot measure men and their aspirations with a celluloid tape. However, it is equally true that human relation skills can be demonstrated. If it were not so, then specialization would be futile. It is possible to handle conflict by understanding its nature and exploring a variety of its manifestations. This helps in better resolution of conflict. Personnel men can demonstrate these results by cultivating:

1. Skills for proper negotiation and communication
2. Abilities to analyze the human mind and its working
3. An objective and professional outlook through greater sensitivity to understand other's problems and hardships.

The development of empathy for employees is not a science or an art but a way of life. It needs to be founded on a value system which gives priority to truth, honour and courage.

Many situations of conflict arise as a result of inflated egos, misunderstood viewpoints or insensitivity of managements. Managements are more likely to be insensitive since they are in a position of privilege and power. There are cases where employees on strike do not want money or promotion but only a recognition and acceptance of their rightful place. If the payment of high salaries had been the road to peace and progress, companies paying high salaries would not require personnel men. But strangely enough, they too have conflict and many human problems. Even in a less developed country, the insistence on the recognition of the individual's dignity and human values is rapidly growing. Most organizations fail to perceive this aspect. They continue to respond as if only monetary demands, which may be merely symptoms, are real. They continue to misplace their stethoscopes. A personnel man with a specialization in human behaviour can be a great help in opening up blockages between the management and the employees. In such a situation, a personnel man acts as a psychotherapist, releasing the energy of the executive by reducing the pressure of irrational barriers and urges. How

many organizations suffer from such neurosis and how many personnel executives have failed to understand this task? These questions need to be pondered over.

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### **1.19 The Personnel Man as a Change Agent**

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The role of the personnel manager as a legal specialist or industrial engineer is fast diminishing. The totality of industrial forces have brought about the recognition for effecting changes in the total system of organization. These changes may be (1) human (2) technical or (3) conceptual.

The personnel man is mostly concerned with human and conceptual changes. In this process, he is not acting as a sub-agent, but as an active partner in conceiving and effecting changes. This approach calls for a change in the perception of chief executives, who have viewed personnel men as their henchmen who can be hired and fired at will. They need to use the personnel men as change agents once they have acquired specialization.

Personnel management is the monopoly of personnel men. They should not shy away from the basic duty of developing this as a specialization. It is no longer relevant to call every manager a personnel manager. Everyone will deal with men but not all will specialize in this field. Everyone who deals with machines cannot be called a mechanical engineer! A personnel man who tends to be a general errand-boy of the management can win laurels for himself, but, in the long run, will cease to have a professional status.

A great danger to the profession arises from such non-expert generalists whose business is to appease rather than perform. A personnel man must develop core specialization in human behaviour to effectively handle human problems in the industry. The National Institute of Personnel Management will have to define its approach to education and training and reformulate its code of ethics for personnel executives. But before this can be done, the IIPM must cease to encourage personnel to be an amalgam of all disciplines and disallow membership to every executive who is not fully qualified in the field of personnel and human relations.

If the IIPM formulates a charter, it will pave the way for greater growth and development. Even if it does not, the IIPM will do well to first professionalize its own organization and constitution to work as a model. It must not only grow in strength but it must also function as an efficient organization concerned with the education, conduct and performance of its members. It must evolve standards and project a sound policy in all key areas of personnel management. Management also needs to be restrained from expecting personnel men to be errand-boy generalists. They must be accepted as specialists handling human resource management and as change agents. The future will need professionals with skills and integrity rather than those who can manipulate and can be manipulated. Professionalism is founded on knowledge, specialization, integrity and courage.

## 1.20 Value Context of HRM in India

The managerial ideologies in India dates back to at least four centuries. *Arthashastra*, written by the celebrated Indian scholar-practitioner Chanakya had three key areas of exploration, 1) public policy, 2) administration and utilization of people, and 3) taxation and accounting principles (Chatterjee 2006). Parallel to such pragmatic formulations, a deep rooted value system, drawn from the early Aryan thinking, called the Vedanta, deeply influenced the societal and institutional values in India. Overall, Indian collective culture had an interesting individualistic core while the civilizational values of duty to family, group and society were always very important while the Vedantic ideas nurtured an inner private sphere of individualism.

There has been considerable interest in the notion that managerial values are a function of the behaviours of managers. England, Dhingra and Agarwal (1974) were early scholars who contended that managerial values were critical forces that shape organizational architecture. The relevance of managerial values in shaping modern organizational life is reflected in scholarly literature linking them to corporate culture (Deal & Kennedy 1982), organizational commitment and job satisfaction (O'Reilly, Chatham & Caldwell 1991), as well as institutional governance (Mowday, Porter & Steers 1982). Thus, understanding the source of these values and in particular societal work values (which link the macro-micro relationships and in turn organizational practices) had become a popular line of enquiry, and a great deal of evidence has been presented to support the importance of national culture in shaping managerial values. One of the most widely read formulations of this literature is the seminal work of Hofstede (1980) who popularized the notion of clustering culture in generic dimensions such as power distribution, structuring, social orientation, and time horizons. In turn, these dimensions could be employed to explain relevant work attitudes, job incumbent behaviours and the working arrangements within organizational structures. Two of these dimensions were individualism and collectivism.

The traditional social ethos from the ancient roots, which was developed over centuries, underwent profound transformation during the British rule. Consequently, in the contemporary context multiple layers of values (core traditional values, individual managerial values, and situational values) have emerged (Chatterjee & Pearson 2000). Though the societal values largely remain very much anchored in the ancient traditions they are increasingly reflecting corporate priorities and values of global linkages. But in the arena of globalization where priorities of consumerism, technological education, mass media, foreign investment and trade union culture predominate, newer tensions are becoming evident. For instance, contemporary Indian multinational companies and global firms in India have started shifting their emphasis to human resources with their knowledge and experience as the central area of attention in extending new performance boundaries (Khandekar & Sharma 2005). Considerable research evidence attests to this trend with particular relevance to greenfield organizations with little or no historical baggage in their organizational culture (Settt 2004, Roy 2006).

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Within Indian traditions the choice of individualistic or collectivistic behaviour depends upon a number of culturally defined variables. The dynamics of these variables are underpinned through three key elements guiding Indian managerial mindscapes. These three constructs are *Desh* (the location), *Kaal* (the timing), and *Patra* (the specific personalities involved). Sinha and Kunungo (1997) claim that the interaction of these three variables determines the guidelines for decisional cues. This managing or nurturing of the outer layer of collectivism in an inner private sphere of individualism is expressed in Table 1.3 which demonstrates the behavioural anchors in Indian organizational life.

**Table 1.3: Behavioural Anchors in Indian Organizational Life**

<b>DECISIONAL CUES</b>	<b>Desh</b> (place)	<b>Kaal</b> (Timing)	<b>Patra</b> (Actors)
<b>SPIRITUAL ORIENTATION</b>	<b>Sattavaguna</b> (Virtue focus)	<b>Tamasguna</b> (Negative focus)	<b>Rajas guna</b> (Action focus)
<b>INTERPERSONAL RELATIONS</b>	<b>Sradha</b> (Upward respect / Loyalty)	<b>Sneha</b> (Downward affection)	<b>Bandhan</b> (Bonding)

Source: <http://rphrm.curtin.edu.au/2007/issue2/india.html>

Table 1.4 also presents another powerful insight of the Indian tradition of the notion of ‘Guna’ dynamics. According to Sharma (1996), this culture based framework, which has three types of gunas (attraction), is being increasingly used in employee assessment and organizational team building strategies. The contention is that each guna is a separate contribution to the core of human personalities. The *Sattava* (or truth orientation) is the sentiment of exalted values in people, organizations or society. Alternatively, the *Tamasikguna* depicts a negative orientation which can be expressed behaviourally as ignorance, greed or corruption. Those individuals with *Rajasikguna* are inherently driven by a desire to make a worthwhile contribution to their surroundings. Collectively, these spiritual orientations, which manifest as *Sattava*, *Tamas* or *Rajas gunas*, articulate as positive or negative HRM functions such as leadership, motivation or other institutional behavioural activity. The third row of Table 1 highlights the linking of HRM trends to socio-cultural roots. The culture of *Sradha* (upward loyalty) and *Sneha* (mentoring with affection) outline the behavioural anchors derived from the civilizational roots. The acceptance of ‘Sradha’ by youngers and the display of ‘Sneha’ by the seniors have been the root of sustainability of all types of Indian organizations. This has a striking similarity to the concepts of ‘oyabun’ and ‘kobun’ in the Japanese cultural context.

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### 1.21 HRM in Modern India

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In a recent survey of Indian CEO’s, it was suggested that Indian managerial leaders were less dependent on their personal charisma, but they emphasized logical and step by step

implementation processes. Indian leaders focused on empowerment and accountability in cases of critical turnaround challenges, innovative challenges, innovative technology, product planning and marketing or when other similar challenges were encountered.

Leaders in other countries often tell about why they chose a peculiar person for a certain role per task, detailing the personal characteristics that made that person right for that situation. They may also consider, in detail, how an assignment would help someone grow and develop their abilities. In general, Indian leaders simply did not discuss how they matched particular people to certain roles or tasks, nor did they usually consider in detail how the personal characteristics of individuals might shape or inform the best way to influence that person.

One of the noteworthy features of the Indian workplace is demographic uniqueness. It is estimated that both China and India will have a population of 1.45 billion people by 2030, however, India will have a larger workforce than China. Indeed, it is likely India will have 986 million people of working age in 2030, which will probably be about 300 million more than in 2007. And by 2050, it is expected India will have 230 million more workers than China and about 500 million more than the United States of America (US). It may be noted that half of India's current population of 1.1 billion people are under 25 years of age (Chatterjee 2006). While this fact is a demographic dividend for the economy, it is also a danger sign for the country's ability to create new jobs at an unprecedented rate.

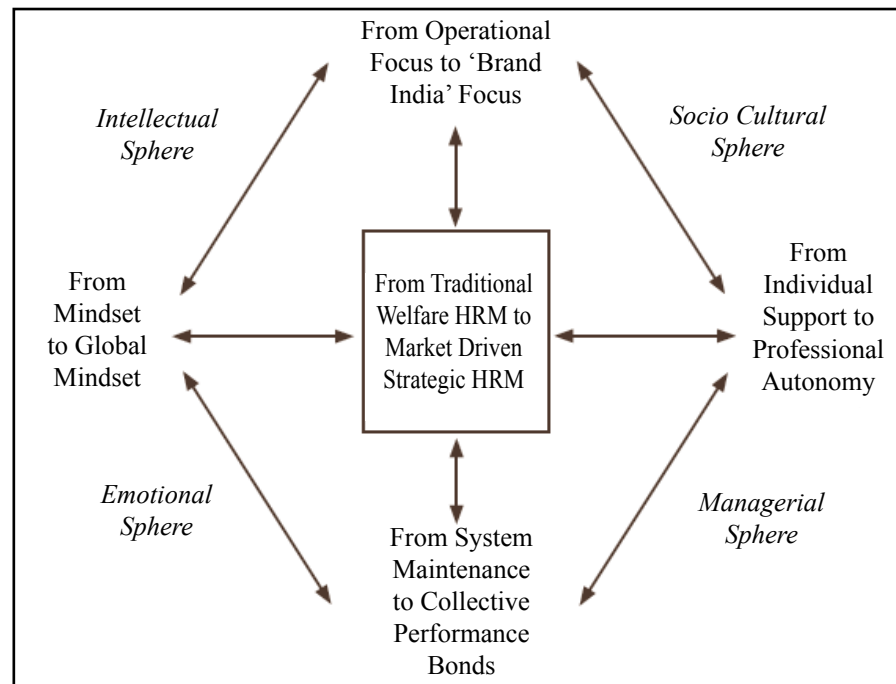
When India's young demographic bubble begins to reach working age, India will need far more jobs than currently exist to keep living standards from declining. India today doesn't have enough good jobs for its existing workers, much less for millions of new ones. If it cannot better educate its children and create jobs for them once they reach working age, India faces a population time bomb: The nation will grow poorer and not richer, with hundreds of millions of people stuck in poverty.

With the retirement age being 55 to 58 in most public sector organizations, Indian workplaces are dominated by youth. Increasing the retirement age in critical areas like universities, schools, hospitals, research institutions and public service is a topic of considerable current debate and agenda of political parties.

The divergent view, that each society has a unique set of national nuances, which guide particular managerial beliefs and actions, is being challenged in Indian society. An emerging dominant perspective is the influence of globalization on technological advancements, business management, education and communication infrastructures is leading to a converging effect on managerial mindsets and business behaviours. And when India embraced liberalization and economic reform in the early 1990s, dramatic changes were set in motion in terms of corporate mindsets and HRM practices as a result of global imperatives and accompanying changes in societal priorities. Indeed, the onset of a burgeoning competitive service sector compelled a demographic shift in worker

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educational status and heightened the demand for job relevant skills as well as regional diversity. Expectedly, there has been a marked shift towards valuing human resources (HR) in Indian organizations as they become increasingly strategy driven as opposed to the culture of the status quo. Accordingly, competitive advantage in industries like software services, pharmaceuticals, and biotechnology (where India is seeking to assert global dominance), the significance of HRs is being emphasized. These relativities were demonstrated in a recent study of three global Indian companies (with 235 managers) when evidence was presented that positively linked the HRM practices with organizational performance. In spite of this trend of convergence, a deep sense of locality exists creating more robust ‘cross vergence’ in the conceptual as well as practical domain.



**Fig. 1.4: Drivers of Contemporary Indian HRM Trends**

Source: <http://rphrm.curtin.edu.au/2007/issue2/india.html>

Figure 1.4 presents the key drivers for contemporary Indian HRM trends. In Figure 1.4 there are four external spheres of intervention for HRM professionals and these spheres are integrated in a complex array within organizational settings. The intellectual sphere, which emphasizes the mindset transaction in work organizations, has been significantly impacted by the forces of globalization. Indeed, Chatterjee and Pearson (2000) argued, with supporting empirical evidence from 421 senior level Indian managers, that many of the traditional Indian values (respect for seniority, status and group affiliation) have been complemented by newer areas of attention that are more usually linked to globalization, such as work quality, customer service and innovation. The most important work related attribute of the study was the opportunity to learn new things at work. Such cross verging

trends need to be understood more widely as practitioners face a new reality of human resource development of post-industrial economic organizations.

The other three spheres, of Table 1.3, viz., the emotional, the socio-cultural and the managerial domains are undergoing, similar profound changes. For instance, the socio-cultural sphere confronts the dialects of the national macro level reform agenda as well as the challenge of innovating by addressing the hygiene and motivational features of the work place. Consequently, this sphere, which is underpinned by the anchors of *Sradha* and *Sneha*, has the opportunity to leverage work setting creativity in dimensions of autonomy, empowerment, multiskilling and various types of job design. And the emotional sphere, which focuses on creativity and innovation to encapsulate the notions of workplace commitment and collaboration as well as favourable teamwork, brings desirable behavioural elements of transparency and integrity into organizational procedures and practices. The managerial sphere provides the mechanisms for shifting mindsets, for in Indian organizations HRM is viewed to be closely aligned with managerial technical competency. Thus, understanding of the relativity of HRM to strategic intended organizational performance is less well articulated in Indian firms. The current emphasis of reconfiguring cadres (voluntary and non-voluntary redundancy schemes), downsizing, delayering and similar arrangements will become less relevant as soon as holistic perspectives gain ground. A hallmark of future Indian workplaces is likely to be a dominant emphasis on managerial training, structural redesign and reframing of institutional architectures to achieve entrepreneurial excellence. Thus, a primary role of Indian managers will be to forge new employment and industrial relationships through purposeful HRM policies and practices. In Table 1.3 is presented a variety of HRM practices that are being employed in Indian organizations.

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**Table 1.3: Key HRM Practices in Indian Organizations**

HRM practice	Observable features
Job Description	Percentage of employees with formally defined work roles is very high in the public sector.
Recruitment	Strong dependence on formal labour market. Direct recruitment from institutions of higher learning is very common amongst management, engineering and similar professional cadres. Amongst other vehicles, placement agencies, internet and print media are the most popular media for recruitment.
Compensation	Strong emphasis on security and lifetime employment in public sector including a range of facilities like, healthcare, housing and schooling for children.
Training and Development	Poorly institutionalized in Indian organizations. Popularity of training programmes and their effect in skill and value development undeveloped.

Performance Appraisal	A very low coverage of employees under formal performance appraisal and rewards or organizational goals.
Promotion and Reward	Moderately variable across industries. Seniority systems still dominate the public sector enterprises. Use of merit and performance limited mostly to globally orientated industries.
Career Planning	Limited in scope. The seniority based escalator system in the public sector provides stability and progression in career. Widespread use of voluntary retirement scheme in public sector by high performing staff. Cross-functional career paths uncommon.
Gender Equity	Driven by proactive court rulings, ILO guidelines and legislature provisions. Lack of strategic and inclusion vision spread.
Reservation System	The central government has fixed 15 per cent reservations for scheduled castes, 7.5 per cent for scheduled tribes and 27 per cent for backward communities. States vary in their reservation systems.

Source: <http://rphrm.curtin.edu.au/2007/issue2/india.html>

## 1.22 HRM Challenges in India

Some of the major challenges which HR faces in India today are discussed hereunder.

- **Managing Globalization:** It is important for an HR Manager to study people management practices before implementing new practices which are global in nature. It has become a challenge for the HR to educate its workforce on how globalization can be leveraged and how an individual employee benefits or is affected by it. Instead of thrusting new practices upon them, it is ideal to study the existing practices which are in place.
- **Developing Leadership Skills:** It is not just about knowledge, experience and expertise, it is also about developing the right soft skills to give shape to the future leaders. Since the global economic and industrial scenario is very volatile and dynamic, what is required now is a skill set in the workforce which distinguishes them as team leaders.
- **Managing Change:** Change management is the call of the day with big organizations integrating Six Sigma methodologies in their businesses. Change management defines the response of the business to the changing external and internal environment. The industrial growth scenario in India demands that there should be change brought about within all factions of the industry. But there are internal and external forces which resist the change. It is a huge challenge to influence the resisting forces with the organization, manage internal conflicts, motivate them to embrace change and implement the changes.
- **Developing Work Ethics:** With back to back slumps in the global economy, India has not remained unscathed. Employee morals and loyalty are being tested



in a business's day to the day functioning. It has become very important to re-instill cultural values, loyalty, respect for the weak and elderly, and infuse qualities like empathy, charity, austerity, team spirits, ethics and bonding in the workforce.

- **Retaining Talent:** Yes, this is one of the major challenges which HRM faces today. Poaching and cut-throat competition has given an impetus to high remuneration to the deserving. People have gained exposure and their yearning to rise sees them changing loyalty and organizations very frequently. This is especially observed in the IT and ITES sector. To manage low attrition rates and retain talent has become a mammoth hurdle which all organizations want to cross in order to reach their goals.
- **Managing Fast Changing Technological Trends:** Most large and medium scale organizations today prefer to be technologically oriented. The technological trends in today's global scenario are fast changing. Educating the human resource about these changes, upgrading their knowledge and motivating them to learn, absorb and come out of their comfort zones is a great challenge faced by many organizations.
- **Developing Accountability:** With the advent of Six Sigma methodologies, organizations have lowered their tolerance levels for mistakes, errors and delays. It is a challenge which HRM in India is facing like its global counterparts. It is not easy to train people to shoulder responsibility.
- **Managing Workforce Stress and Employment Relations:** HR is the face of an organization. It hires and fires employees and if the HR of an organization is not emphatic towards its workforce it does not help in employment relations. This factor is fast becoming a challenge for HRM especially in sectors like hospitality, IT and allied support services, media and entertainment.
- **Managing Inter-functional Conflict:** Earlier it was the friction between different levels of an organization and now the new emerging challenge for the HR is to manage inter-functional conflict within an organization. With organizational restructuring becoming common in the past few years, disputes and friction between different functions has been on the rise.
- **Managing Workplace Diversity:** With globalization and India's economy changing gears to accelerate growth, organizations hire as well depend on a people from different countries, cultures and ethnicity. To manage the diverse workforce who have fairly diverse physiological and the psychological influences, is also a huge challenge for the HR in the emerging Indian economy.

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### Industrial Relations Challenge

The Indian industrial relations system has two main features. First, there is an absence of the provision to recognize a union as a representative or agent for collective bargaining. Second, there is total dominance of government in regulating the industrial relations (IR)

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domain. Though it is relatively easy for members of a work organization to be registered as a union under the law, it does not lead to the legal recognition by the employer in dispute resolution or bargaining process.

In terms of collective bargaining, industry wide bargaining occurs in certain industries where the employers are organized, but bargaining otherwise is decentralised to enterprise level. Although there are no restrictions on the subjects of bargaining, the Industrial Disputes Act of 1947 restricts the ability of employers to lay off or retrench employees or to close business.

Indian industrial relations have evolved from political roots and labour market demands. A unique feature of Indian Industrial Relations has been the dominance of political parties sponsoring unions. Union membership has been the most popular breeding ground for politicians, and political leaders have enjoyed the use of union platforms. Such politicization has generated conflicts and rivalry creating mayhem and the hurting of labour interest. Nevertheless, in spite of wage determination by central government boards, and ad hoc industrial awards, enterprise level bargaining has yielded positive outcomes. Interestingly, during the 1970s in the period of the highest number of strikes, the registered number of unions grew fivefold. But a decade later profound economic and political reform movement saw a new direction in the trade union movement. A section of scholarly trade union leaders began to incorporate new global thinking in the union outlook.

Since the 1980s, the Indian industrial relations culture has been considerably impacted by the intensification of globalized markets. During this time and beyond, there has been a clear departure from traditional personnel management. The shift has not only been in the general tone, but in the substantive visions. Adjustment to the global imperatives of an emerging service sector, sunrise industries, and demographic shifts in competencies have given rise to new thinking. In spite of most of the Indian labour laws being entrenched in a world view that is very different to the current realities, and the obvious urgency for them to be updated to incorporate more flexible, competitive work systems, the built in rigidities are still proving a formidable obstacle.

The most alarming issue in the HRM and Industrial Relations context is the lack of job opportunities outside urban areas where more than 70 per cent of the population lives.

While Indian university graduates line up for jobs that can propel them into newly vibrant middle class, per India's rural and urban poor, change has been interminably delayed. Expectations, like incomes, are rising across India, and not just for those working in call centres. Even as the New India cohort thrives, much of the rest of India is making much slower gains or even being left behind, creating social and political tensions that cloud India's impressive strides forward. The lowest paid workers in the off shoring industry those working in the call centres earn median wages of ₹ 16500 a month. But most Indians still earn less than ₹ 3000 a month or just ₹ 100 a day.

## Technical Services Recruitment and Retention

There has been a dramatic shift in the expectations of employees in the organized and globally linked sectors of the economy. An unprecedented rise in the disposable income coupled with a declining dependency ratio, has led to young professionals becoming extremely mobile. The problem is critically evident in the off shoring industry where the average retention period of an employee is considered to be around six to eight months. And the retention of senior level executives is an additional challenge. The attrition rates are highest in information technology (IT) (30-35%), business process outsourcing (BPO) (35-40%), insurance (35-40%), retail and fast moving consumer goods (FMCG) (20-30%), and manufacturing and engineering (10-15%).

Over the past decade, there has been a sea change in the area of Indian technical services and the associated HRM practices of recruitment and retention. While the higher education system in the country has remained overwhelming poor in infrastructure and weak in becoming revitalized to grapple with the global imperatives, there has been a mushrooming of private educational institutions. The recruitment problem is further deepened by the emergence of a new culture of ‘job hopping’ amongst employers who can demonstrate their world class competencies. This phenomenon of turnover has seen a chain reaction in entry level salaries, and an increase in graduates has created significant social and economic disruption to the Indian labour market. A likely scenario from this rampant activity is that the Indian HR scene will be negatively impacted in the next decade unless the deregulation and autonomy of the higher education sectors is initiated somewhat immediately. An example of this widening gap between the university system and market need has become a serious impediment in several new industries in India. For an example, it has been reported in the popular press (Time 2007), “...out of 13 million people who applied to work at IT company Infosys last year, just 2% were qualified indicating a sign of stress in the university system that graduates 2.5 million a year.”

One of the most concerning issues for HR managers in India is the high staff turnover. In industries like call centres, staff attrition is the single biggest issue. The industry has grown from zero employment to an employer of quarter of a million young English speaking, well educated and ambitious people. Attrition is highest in traditional customer service jobs, where young people find themselves having to spend all night on the phone, often with irate callers. In other areas such as claims processing or accounting, the turnover rate is much lower. More worrying for many companies is the ‘merry go round’ in supervising and management jobs, as new centres are only too willing to pay higher salaries to hijack experienced staff.

The issue of retention is much more critical in the high value adding BPO sector such as R&D activities. This \$40 billion industry has one of the highest attrition rates of around 20 to 25 per cent.

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## 1.23 Opportunities in HRM in India

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The world has undergone a dramatic change over the last few decades, the forces of globalization; technological changes have greatly changed the business environment. Organizations were required to respond in a strategic manner to the changes taking place in order to survive and progress. Strategic Human Resource Management (SHRM) involves a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives. Strategic human resources management is largely about integration and adaptation. Its concern is to ensure that:

1. Human Resources (HR) management is fully integrated with the strategy and the strategic needs of the firm.
2. HR policies cohere both across policy areas and across hierarchies.
3. HR practices are adjusted, accepted, and used by line managers and employees as part of their everyday work. SHRM practices are macro-oriented, proactive and long term focused in nature; view human resources as assets or investments not expenses; implementation of SHRM practices bears linkage to organizational performance; and focusing on the alignment of human resources with firm strategy as a means of gaining competitive advantage.

The role of people in the implementation of strategic responses has a significant bearing on the success rate. It is therefore imperative for an organization to look at the human issues involved before implementation of any strategic responses. At this connection the question is: How can organizations effectively adopt, implement and maximize HRM practices for valued firm level outcomes? That is, how can firms increase the probability that they will adopt and then effectively implement appropriate HRM practices? Insuring that members of the HRM personnel have the appropriate human capital or competencies has been suggested as one way to increase the likelihood of effective implementation of HRM practices. The future HR professional will need four basic competencies to become partners in the strategic management process. These include business competence, professional and technical knowledge, integration competence and ability to manage change.

Although there is a different emphasis for HR in the future, HR's fundamental purpose is to build a positive, productive workplace-remaining unchanged. With this in mind, a successful future of HR would be revolving around three complementary and overlapping roles. Fulfilling these roles HR will prove itself an important and legitimate contributor to organizational achievement. The heart underpinning these roles is "less control, more learning". Here are the roles:

### **Facilitator**

Facilitating the employee/employer connection, principally through empowering technologies (both digital and procedural) that emphasize employee self-service and managerial independence.

The corollary to this role is consistent striving to minimize dependent relationships between employees/managers and HR through transferring knowledge and expertise from HR to HR's clients. This is accomplished in part by using computer technologies enabling employees and managers to handle transactions online that they formerly needed HR to administer. Through employee and manager self-service features, such technologies also put greater access and control over information in the hands of employees and managers, thus increasing personal mastery and independence.

HR's task here may best be conceived as a "help desk" function: Set-up the systems, teach others to use them, and then get out of the way, answering questions from the field only as these arise.

### **Designer**

Designing and helping implement high performance people strategies in partnership with line staff. The scope of such efforts could be quite narrow at the team level or system wide. As in #1, the focus is on developing employee and manager self-reliance through the skilful sharing of expertise by HR. The focus, though, is on applying that expertise in ways that are explicitly tied to priorities of line staffs.

What are high performance people strategies? Dr. Pfeffer identifies, "seven dimensions that seem to characterize most if not all of the systems producing profits through people".

1. Employment security.
2. Selective hiring of new personnel.
3. Self-managed teams and decentralization of decision making as the basic principles of organizational design.
4. Comparatively high compensation contingent on organizational performance.
5. Extensive training.
6. Reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels.
7. Extensive sharing of financial and performance information throughout the organization.

### **Educator**

Serving as a catalyst for learning and communication. As educator HR has three jobs: (A) Introduce fresh thinking and new ideas to promote creativity, innovation and successful adaptation within the enterprise; (B) Persist in developing mastery of adopted organizational practices and process improvement methodologies by employees and managers; and, (C) Communicate extensively what's happening within the organization and why, especially as these relate to the seven high performance people strategies identified above.

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## 1.24 Impact of Globalization on HR

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A consensus has emerged among scholars and practitioners that the business environment has become more competitive than in the past because of globalization. In order to survive in this new era, businesses have to focus even harder on their competitive strengths so as to develop appropriate long-term strategies. Old practices and systems that have evolved over time are no longer appropriate.

Indeed development is achieved through people. Beardwell and Holden (1997) support this assertion by giving an example of Japan's success despite its lacking natural resources. These lessons are important for us if we have to move forward in terms of economic development.

Armstrong outlines three most important factors in achieving competitive advantage as Innovative, Quality and Cost Leadership, but all these depend on the quality of an organization's human resources. What this entails is that the starting point should be with the human resource. Scholars have argued that the human resource satisfies four conditions necessary to achieve sustainable competitive advantage: human resource is valuable, rare, and imperfectly imitable and has no substitutes. Competitors can easily duplicate competitive advantage obtained via better technology and products, but it is hard to duplicate competitive advantage gained through better management of people.

The creation of these core competencies can be achieved through effective provision of the traditional services of the human resource management and dealing effectively with macro concerns such as corporate culture and management development.

### **Globalization and Human Resource Planning (HRP)**

Human resource planning is a critical management function in a sense that it provides management with information on resources flow which is used to calculate, among other things, recruitment needs and succession and development plans. There is a need in this new environment for human resource practitioners to take a detailed study of past and protected trends in employment loss and seek to minimize the shock of unexpected shortages of labour, increased and costly surpluses and needless redundancies. When there is a proper human resource plan in place, we will be able to obtain and retain the number of people we need with the skills, expertise and competencies required. Of late, a lot of teachers, doctors and nurses have left the country for greener pastures. This would not have been the case if human resources were properly managed. HRP will also ensure that we develop a well-trained and flexible workforce, thus contributing to the nation's ability to adapt to uncertain and changing environments.

### **Supply and Demand**

When viewed from a global perspective, the demand for employees exceeds the supply. This can be especially true for highly skilled jobs, or positions that require specialized

knowledge. HR must not only find qualified candidates, it must find them in locales across the globe. If your company has a need for a specific type of employee that you are used to find locally, you may be surprised that such employees don't exist in remote locations where you need them. Your HR department must devise strategies to relocate or train employees to suit company needs.

### **Expatriation**

HR may have to persuade employees to work abroad for extended periods. That means HR must provide for housing, orientation to new customs and even new language skills. HR also must be prepared to provide such services to entire families, because employees with families cannot be expected to spend extensive time abroad without their spouses and children.

### **Diversity Recruitment**

With the rise of globalization, companies of all sizes are now interacting with customers and stakeholders from diverse cultures, languages and social backgrounds. In response, many human resources managers seek to hire employees from equally diverse backgrounds. Companies engaging in this diversity recruitment recognize the value of having people on staff that their customers can relate to, and they know that having a team of diverse people contributes to the range of ideas and influences within the organization.

### **Push for Professional Development**

A further impact of globalization on HR management is a push for professional development. Professional development is concerned with providing employees opportunities to achieve their career-related goals. Some organizations provide resources for their employees to earn a university degree; others send their employees to conferences or networking events and training days. Professional development is important to globalization because it creates a win-win situation. The employees feel as though the organization is concerned with providing a range of skills and competencies for their employees. Likewise, the organization benefits from the added skills and connections that the employees who take advantage of professional development programmes acquire.

### **Communication**

Though the Internet has made global communication simpler, time zones have not. HR must devise ways to communicate vital information in a timely manner, without expecting remote employees to be available at odd times, such as midnight or the early morning hours. HR departments can meet this challenge by limiting same-time communication to emergencies only, and setting up email alerts that arrive at the beginning of the remote employee's work day.

### **Training**

HR must devise ways to deliver training to employees abroad who cannot attend live sessions in the company's home country. Solutions may include self-paced training; virtual training that is live but conducted through Internet connections; and teleconferences. If the nature of the training is such that personal contact is essential, HR must find ways to either send trainers abroad or bring remote employees to the home country temporarily.

### **Management of Laws across Jurisdictions**

A final effect of globalization on human resources management is the need for businesses to understand and apply the laws of many different jurisdictions to the particular business. The federal government sets out a number of tax and labour laws that businesses operating in the United States must comply with, but there may also be local and regional laws that apply to companies that operate in different states or different countries. Selling products in Europe, for example, might mean that a company has to impose a Value-Added Tax on its goods. Hiring employees at branch locations in different locations might change the requirements on minimum wage, tax allowances or working hours. Understanding these laws is vitally essential to the organization because any breach of them will have a serious impact not only on the business's financial well-being but also on its reputation.

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## **1.25 Globalization and Evolution of HR**

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With globalization comes immense pressure for businesses to evolve their human resource practices to recruit, train, supervise and retain well performing employees from diverse backgrounds. As companies strive to establish global market share through franchises, subsidiaries and outsourcing of some functions, HR professionals devise strategies geared towards addressing challenges brought about by different cultures, languages and labour union laws.

### **Streamlining IT Management**

Globalization has made the business environment more competitive, requiring organizations to ensure the flow of information. Access to data across all locations is vital that requires the HR field to evolve its information management capabilities to be more streamlined and efficient. To be successful in the global markets, you have to efficiently manage your human capital assets and ensure your employees and managers are provided with enhanced access to pertinent information. This can be done by consolidating multiple technologies, IT skills and technical infrastructure to reduce operating costs.

### **Fresh Talent**

Globalization has made it easy for companies to hire young professionals from around the world. Such fresh talent brings a different skill set to the organization and can significantly increase productivity. The human resource function can leverage the power



of the Internet to identify suitable candidates from various countries that can boost your company's operations abroad, instead of deploying personnel from the home office. You can also import this pool of workers to take on responsibilities of your retiring staff.

### **Improved Training Programmes**

Faced with the prospect of deploying staff to your subsidiaries abroad or for sales and marketing events, as well as recruiting beyond borders, your human resource has to train these people accordingly. Your HR staff has to develop homogeneous policies and training programmes, and implement management standards that focus on a global workforce. The impact of globalization has resulted in the enhanced training programmes tailored to meet the needs of branches in multiple locations, taking into consideration the prevailing business environment.

### **Legal Compliance**

When your organization is operating in various countries, you have to ensure that it complies with local laws and regulations. In most cases it falls upon HR to ensure legal compliance with existing labour and other laws regarding taxation, customs and immigration, when staff has to be deployed between offices in various countries. Thanks to globalization, your HR strategy has to harmonize compensation, employee working hours, required break times and minimum wage guidelines, as well as policies on discrimination.

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## **1.26 HR Trends in Globalization**

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Human resources departments of international companies have often treated foreign office locales as subordinate to the "home" office in their home country. However, as globalization becomes more common, HR has started looking at selection and retention of talent from a global pool, rather than looking for talent in the home country that is willing to work abroad. This global thinking has changed the way HR evaluates candidates and assesses existing employees.

### **HR Objectives**

HR departments that deal with a global talent pool have learned to seek candidates that fit in with a company's global objectives. Candidates who might contribute to a regional office are not as attractive as those who understand the big picture of what the company is trying to accomplish internationally. HR departments in global companies feel the pressure to screen for global business sense.

### **Internet Competition**

Large global companies used to have an advantage over small companies when it came to advertising for talent. Large corporations could afford to place want ads in

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print publications worldwide. Today, even a small company can advertise for an open position on the Internet, thus attracting applicants from anywhere in the world that has Internet access. HR has learned that it must compete with small- and medium-sized businesses in many countries to attract the best talent. This requires HR to utilize social networking sites, blogs, pod-casts and the use of niche websites that target a specific type of candidate, as opposed to general job boards where job notices can become obscured by the sheer number of notices.

### **Virtual Engagement**

HR departments are learning to communicate with employees through virtual means, such as video conferencing and web-based training. Gone are the days when employees could gather in one place for a seminar. Today's global markets require employees in remote geographic locations and different time zones to have access to web-based training and web-based conferences. Instructional designers have learned to provide HR with training that employees can access on the company website and that trainers can assess and deliver electronically.

### **Mobility of High-Value Talent**

HR departments are challenged to find executives and highly-skilled technical workers who are willing to travel globally. The realities of the world market dictate that people with advanced skills must work in numerous company locations if their skill sets are not available from employees in those locations. This makes it tougher to recruit, because not all high-value employees view global travel favourably.

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## **1.27 Implementing a Global HR System**

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Implementing a global HR system requires a project team with dedicated resources, global representation, accountability and senior executive support. Use a consultant if you lack global implementation experience and phase your implementation over time instead of trying to bring everybody up on the new system all at once. As with any large project that affects many people, frequent communication is an essential part of the implementation plan.

### **Get Support and Resources**

One of the most important steps for implementing a global HR system is to get support from senior management in every part of the world. Top management in each country should budget for the project, communicate their support and assign a person to the project with accountability for its success. Without visible support and dedicated resources, a global HR system implementation has a limited chance of success. The senior HR executive should also appoint a global project leader whose full-time job is to implement the new system.

**Hire a Consultant**

Consider hiring a consultant to help you with the implementation. Select a consulting partner who has implemented the same system globally for other companies. Consultants typically have a defined process they follow that will help you structure the project from design through implementation. They can offer advice and guidance on how to handle global conflicts or special circumstances that they've encountered before while working with other clients. You can usually structure the consultant's level of involvement based on your budget.

**Create a Design Team**

System design is a vital endeavour while going global. Assemble a team with HR and IT representatives from each major country or region, and collaboratively create a design that balances the need for a single, global system and the specific requirements of each country. Including IT representatives early will help ensure there are no last-minute technical barriers to implementation and will help create buy-in from the group.

**Run a Pilot Test**

Run a pilot test before you launch the entire system globally and bring the company up in phases. Choose a small global business unit and pilot-test their implementation, conversion and training. Get feedback from pilot users, fine-tune the design and adjust the rollout process as necessary. Bring the next group on board and continue the process until you've completed the implementation. Regularly communicate with everyone in the organization to provide updates on progress and to give advance notice of changes to HR processes and procedures.

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**1.28 Summary**


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People have always been central to organizations but their strategic importance is increasing in today's knowledge-based industries. HRM is responsible for the people dimension of the organization. It is a pervasive force, action-oriented, individually-oriented, development-oriented, future-focused, and integrative in nature and is a comprehensive function.

HRM mainly covers three broad areas: personnel aspect, welfare aspect, and industrial relations aspect. HRM aims at achieving organizational goals—to meet the expectations of employees; to develop the knowledge, skills and abilities of employees; to improve the quality of working life and to manage human resources in an ethical and socially responsible manner. From an organizational standpoint, good HR practices help in attracting and retaining talent, train people for challenging roles, develop their skills and competencies, increase productivity and profits and enhance standard of living.

HR can be a source of competitive advantage, when the talents of people working in the company are valuable, rare, difficult to imitate and well organized to deliver

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efficient and effective results. Personnel Management is basically concerned with people at work and their relationships with each other. Personnel management is that part of the management function which is concerned with people at work and with their relationships within an enterprise. The functions of personnel management given above would hardly make a definition. It is more or less a description of personnel activities. We define a term to understand the differentia and to identify our own framework to an area of knowledge. Personnel management is a traditional approach of managing people in the organization. Human resource management is a modern approach of managing people and their strengths in the organization.

A personnel man, charged with fulfilling the aforementioned objectives of an organization, should be a leader with high intellectual powers, a visionary and a philosopher who provides the initiative to shape the future in terms of leading the human beings in an organization towards more prosperous and progressive policies. The basic skill in the personnel field as compared to technologists or financial experts is the skill to communicate, articulate, understand and, above all, to be an expert when it comes to put policies and agreements in black and white.

Personnel management, being a newer discipline, suffers from the pangs of growth or the learning process through which every profession has to pass. Personnel men must perform and perform for the pursuit of excellence. An organization today and in the future, will have no place for those disciplines which do not show results.

Human Resource Management (HRM) has a long history in India, as reflected by Kautilya's accounts in the "ArthaShastra". Within Indian traditions the choice of individualistic or collectivistic behaviour depends on a number of culturally defined variables. The dynamics of these variables are underpinned through three key elements guiding Indian managerial mindscapes. These three constructs are Desh (the location), Kaal (the timing), and Patra (the specific personalities involved).

Managing globalization, developing leadership skills, managing change, retaining talent, developing work ethics, developing accountability, managing workforce diversity are some of the challenges faced by the Indian HR managers.

Understanding the impacts of globalization on human resources can help managers to better equip their organizations for the increasingly global business environment. The creation of core competencies can be achieved through effective provision of the traditional services of the human resource management and dealing effectively with macro concerns such as corporate culture and management development.

A further impact of globalization on HR management is a push for professional development. Professional development is concerned with providing employees opportunities to achieve their career-related goals. With globalization comes immense pressure for businesses to evolve their human resource practices to recruit, train, supervise and retain well performing employees from diverse backgrounds.

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## 1.29 Glossary

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- **Management:** The process of efficiently achieving the objectives of the organization with and through people.
- **HRM:** A process of bringing people and organizations together so that the goals of each one are met, effectively and efficiently.
- **Auxiliary Service:** Secondary or supporting service.
- **Competitive Advantage:** It allows a firm to gain an edge over rivals while competing. It comes from a firm's ability to perform activities more distinctively and more effectively than rivals.
- **Strategic Human Resources Management:** The linking of HRM with strategic goals and objectives in order to improve business performance and develop organizational cultures that foster innovation and flexibility.
- **Personnel Management:** It refers to that part of the management function which is concerned with people at work and with their relationships within an enterprise.
- **Deregulation:** It is the process of removing or reducing state regulations. It is therefore opposite of regulation, which refers to the process of the government regulating certain activities.
- **Downsizing:** Reducing the number of employees on the operating payroll
- **Personnel Management:** An administrative function of an organization that exists to provide the personnel needed for organizational activities and to manage the general employee-employer relationship.
- **Personnel Manager:** A person who is in charge of a department that deals with the employment, training, support, records, etc., of a company's employees
- **Induction:** A ceremony or formal act by which a person is inducted, as into office or military service.
- **Collectivism:** The practice or principle of giving a group priority over each individual in it.
- **Globalization:** The process of international integration arising from the interchange of world views, products, ideas and other aspects of culture.
- **Accountability:** The obligation of an individual or organization to account for its activities, accept responsibility for them, and to disclose the results in a transparent manner.
- **Globalization:** It refers to the process by which businesses or other organizations develop international influence or start operating on an international scale.
- **Expatriation:** It means living in a country other than their country of citizenship, often temporarily and for work reasons.
- **Value Added Tax:** It is a tax on the amount by which the value of an article has been increased at each stage of its production or distribution.

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### 1.30 Review Questions

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1. What do you mean by Human Resource Management?
2. State some prominent features of HRM.
3. 'HRM has a very wide reach'. Discuss.
4. What do you think should be the objectives of HRM?
5. Discuss the importance of HRM in current organizational setup.
6. Describe the meaning and nature of Human Resource Management.
7. Explain the objectives and scope of HRM.
8. Discuss the importance of Human Resource Management.
9. Describe the some important features of HRM.
10. Discuss how HRM evolved.
11. Explain the difference between strategic and basic HRM.
12. Differentiate the between personnel management and HRM.
13. Describe the Dimensions of Personnel Management.
14. Explain the Objectives of Personnel Management.
15. Why is a competitive advantage based on heavy investment in human resources more sustainable than investment in other types of assets?
16. Are people always an organization's most valuable asset? Why or why not?
17. Do pressures on cost containment work against effective management of people? Why or why not?
18. To be a strategic business contributor, HR managers must enhance organizational performance, expand human capital, and be cost-effective. Discuss how HR professionals must balance the competing demands made on them.
19. How do you think the internet will change the way in which HR processes, such as hiring, compensating, evaluating, and benefits are performed?
20. What is personnel management? How is HRM different from personnel management?
21. What are the basic functions and roles of a personnel manager?
22. Why is it important for a personnel manager to be a leader and a visionary?
23. Discuss how a personnel manager acts as a change agent.
24. Discuss the steps of sound growth of a personnel manager.
25. Explain the major responsibilities of a personnel manager.
26. Describe the functions of a personnel manager in detail.
27. Understand the roles assumed by a personnel manager explain with the help of example.

28. Discuss the steps in sound growth of a personnel manager. What do you mean by value context of HRM in India?
29. Discuss the HRM practices in contemporary India.
30. List the challenges faced by HR managers in India.
31. Discuss the traditional aspect of HRM in India.
32. How has HRM evolved over the years in India?
33. State some of the key HR practices of Indian organizations.
34. What are the challenges faced by the HR managers in India?
35. Why is retention of talent a major challenge for Indian firms?
36. What do you mean by term Globalization?
37. Discuss the effects of globalization on HR.
38. Explain the evolution of HR in times of globalization.
39. How to implement global HR systems explain.
40. How has globalization impacted the human resource planning?
41. Explain the role of internet and technology in HR in the wake of globalization.
42. What are the requisites of implementing global HRM systems?

## Notes

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### 1.31 Further Readings

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- Aswathappa K., *Human Resource and Personnel Management*, Fifth edition, Tata McGraw Hill
- Rao V.S.P., *Human Resource Management, Text and Cases*, Second edition, Excel Books
- Ivansevich., *Human Resource Management*, Tenth edition, Tata McGraw Hill
- Dessler., *Human Resource Management*, Tenth edition, Prentice Hall
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# Designing and Developing HR System

## (Structure)

- 2.1 Learning Objectives
- 2.2 Introduction
- 2.3 Job Analysis
- 2.4 Job Description
- 2.5 Job Specification
- 2.6 Job Design
- 2.7 Objectives of Human Resource Planning
- 2.8 Importance of HRP
- 2.9 The Process of Human Resource Planning
- 2.10 Sources of Recruitment
- 2.11 Methods of Recruitment
- 2.12 Importance of Recruitment
- 2.13 Socialization Benefits
- 2.14 Recruitment Practices
- 2.15 Selection
- 2.16 Selection Tests
- 2.17 Validation
- 2.18 Selection Interview
- 2.19 Summary
- 2.20 Glossary
- 2.21 Review Questions
- 2.22 Further Readings

## 2.1 Learning Objectives

After studying the chapter, students will be able to:

- Understand the concept of job analysis;



- Discuss the concept of job description;
- Know the contents of writing job specification;
- Understand the relevance of job design ;
- Understand the meaning, objectives and importance of HRP;
- Describe the HRP process;
- Discuss the forecasting human resource requirement;
- Understand the meaning of recruitment;
- Describe the sources and methods of recruitment and know the recruitment policies and procedures commonly followed in organizations;
- Understand the meaning and process of selection;
- Discuss the different types of tests and interviews;
- Know the concept of validation.

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## 2.2 Introduction

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To fulfil its goals, any organization must first go for a good recruitment and selection procedure, keeping in mind the exact requisites of the organization. The basis for job definition has been provided by job analysis and job description.

Job can be defined as duties and responsibilities which an individual employee is assigned to discharge. A job consists of numerous activities which are performed to complete it. When these activities are clubbed together it is called job.

After understanding a job and what it entails, let us step by step proceed further to understand more about the job and its performance: 1. Job analysis, 2. Job description, 3. Job evaluation, and 4. Job specification.

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

Human Resource Planning (HRP) is a forward looking function. It tries to assess human resource requirements in advance keeping the production schedules, market fluctuations, demand forecasts, etc., in the background. The human resource plan is subject to revision, of course, and is tuned to the requirements of an organization from time to time. It is an integral part of the overall corporate plan and reflects the broad thinking of management about manpower needs within the organization. The focus of the plan is always on getting right number of qualified people into the organization at the right time.

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The human resources are the most important assets of an organization. The success or failure of an organization is largely dependent on the calibre of the people working therein. Without positive and creative contributions from people, organizations cannot progress and prosper. In order to achieve the goals or the activities of an organization, therefore, we need to recruit people with requisite skills, qualifications and experience. While doing so, we have to keep the present as well as the future requirements of the organization in mind. Recruitment is a 'linking function' – joining together those with jobs to fill and those seeking jobs. It is a 'joining process' in that it tries to bring together job seekers and employer with a view to encourage the former to apply for a job with the latter.

The basic purpose of recruitment is to develop a group of potentially qualified people. To this end, the organization must communicate the position in such a way that job seekers respond. To be cost effective, the recruitment process should attract qualified applicants and provide enough information for unqualified persons to self-select themselves out.

Selection is the process of choosing individuals who have relevant qualifications to fill jobs in an organization. The primary purpose of selection activities is to predict which job applicant will be successful if hired. A test is a standardized, objective measure of a person's behaviour, performance and attitude. The basic objective of intelligence tests is to pick up employees who are alert and quick at learning things so that they can be offered adequate training to improve their skills for the benefit of the organization. Selection is usually a series of hurdles or steps. Each one must be successfully cleared before the applicant proceeds to the next.

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### 2.3 Job Analysis

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Job analysis is thus a very systematic, research-based study of the nature and operation of a specific job. Job analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job. The immediate products of this analysis are job descriptions and job specifications. 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. A job is a collection of tasks that can be performed by a single employee to contribute to the production of some products or services provided by the organization. Each job has certain ability requirements (as well as certain rewards) associated with it. Job analysis is the process used to identify these requirements.

The data collected in the process of job-analysis is highly useful for various purposes.

#### Recruitment and Selection

Job analysis provides information about the specific requirements of each job and thus facilitates the criteria selection and eligibility rules for prospective employees. Such

criteria and parameters then form the benchmark against which each recruitment is carried out. Selection of employees follows the same guidelines too.

### ***Manpower Requirements***

The job analysis provides details of the present and consequently of the probable future manpower requirements in the organization. Thus good organizations always maintain an inventory of professionals' curriculum vitae, for quicker replacements in case of vacancies in future.

### ***Compensation Package***

Job analysis provides the vital information that enables an appropriate evaluation of each personnel's job. This then facilitates the drafting of a suitable compensation or rewards policy. Likewise, the wages and salaries for various categories of employees are decided based on the job analysis data.

### ***Performance Appraisal***

Job analysis provides not only information on the standard form of the job, but also on the actual performance of the responsible employee in the job. Thus, a critical evaluation of each professional's performance can be conducted, thereby allowing the individual to know exactly what is expected of him/her.

### ***Training***

On having known what the job entails, through job analysis, it becomes quite easy to develop an initiation or a training programme that would best nurture the skills of the employee to suit the job he/she has to ultimately discharge. The training schedules can be tailor-made to the requirements of the job. Thus the energy of several employees can be channelized in the direction of the organizational objectives, through right training.

### ***Job Assignment***

Job analysis, through various implicit and explicit information, helps to ensure that the responsibilities and duties are assigned to those people who are best suited in that position. Thus, it ensures that right job is assigned to the right person.

### ***Job-re-Engineering***

Job analysis also provides information useful for improvements of industrial engineering designs and working methods for higher productivity.

### ***Job Analysis Process***

It involves various steps needed to be followed for successful job analysis.

### ***Birds-Eye View of Job Structure in the Organization***

This implies that a macro view of the organizational activities divided into jobs, is taken. Such a view enables an inference of the interconnections between jobs, as also between

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jobs and the organizational objectives. The productivity or efficiency of each job is also determined. Tools used for such an analysis include the organization map and process flow charts. Such flow charts show how the job in question relates to other jobs and where it fits in the overall organization. These charts also define the responsibility and authority of each specific job.

***Selection of Job for Analysis***

Job analysis is not a very simple and quick process. Infact, a comprehensive and effective job analysis is quite time consuming. Thus it is always better to prioritize the representative jobs for analyzing.

***Data Resourcing for Job Analysis***

There are numerous ways of collecting data on the responsibilities and tasks entailed on the job. The data for job analysis can be normally collected from the following sources:

- The Human Resource Manager
- The Employee at the job
- The Employee's supervisor, who inspects his employees task
- Consultants in the particular field.

***Techniques of Job Analysis***

1. Interview
2. Questionnaire
3. Observation
4. Data from Daily Log Books.

***Interview***

Interview is probably the most widely used method for determining the job duties and responsibilities. It allows the employee to report activities and duties which would be otherwise difficult to get. Interview entails a direct approach to the people actually in the job. The interviewees are asked questions related to the job and their experiences in it. Thus, it is getting the data directly from the horse's mouth.

Interview being based on a personal involvement such data should give information about all possible requirements of the job, e.g., about the nature of job and the proportional skills needed in the jobbers, etc. The methods of data collection can be many, but care should be taken in selecting a method that best suits the organization's objectives, resources and requirements. Needless to say that data, irrespective of the process by which it is procured, must be reliable.

Interviews may be conducted in two formats: Individual and Group. Separate interview with each employee is conducted if personal attributes of those at the particular

job, are to be observed. Also when an employee is at work on an individual basis, it makes no sense to call him for being interviewed in a group. Thus, a mechanic, draftsman, driver, etc., should be called for Individual Interview. Group interview as a corollary, would thus imply an interview conducted on a large number of people performing similar work, with work of one employee being interrelated with the other employees' work. A supervisor working over a group of workers may also be interviewed, thus making this an indirect group interview or an individual interview.

Care must be taken by the interviewer in framing questions that will give the maximum information regarding the job.

### ***Questionnaire***

This consists of a set of questions, printed or hand written. The questionnaire is then sent out to the concerned employees seeking their replies to the questions posed in the questionnaire. Drafting a questionnaire requires a lot of intelligence, because the words of the question communicate to the reader, what he is asked. Thus the language of the questions must be simple reader-friendly, clear, unambiguous and as unoffending as possible. The questions must relate to the answer and extract as much information about the job as possible. Once the questionnaire is fully filled up by the answers, it is to be sent back to the sender of the form. Answers on the form are then analyzed, researched and a profile of actual job requirement is developed.

### ***Types of Questionnaires***

1. ***CODAP*** — Comprehensive Occupational Data Analysis Programmes.
2. ***PAQ*** — Position Analysis Questions.
3. ***FJA*** — Functional Job Analysis.
4. ***MPDQ*** — Management Position Description Questionnaire.
5. ***JAIF*** — Job Analysis Information Form

### ***Observation***

Direct observation is useful when the job is of a physical activity, i.e., the productivity is measurable. But where the output is of a mental calibre or where the work is of a creative nature, it is obviously difficult to measure the output, e.g., writers, copywriters, journalists, etc. In such a situation observation is neither reliable nor preferable.

### ***Daily Records***

Usually in order to systematize their tasks, employees maintain a diary or a roster of their custodians, activities, mentioning their responsibilities and duties, and also job-objectives. Occasionally, a note is made of the various problems and hurdles that an employee faces during the daily discharge of his/her duties. A caveat to be added here is that, such chronological records may give more than that is needed and sometimes

rather useless information too. Likewise, some useful information may not be mentioned at all. Thus, in order of priorities, preferably this method should be chosen only when the usage of other methods is either not possible or, has already been made.

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### 2.4 Job Description

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One of the chief and most useful products of job analysis is job description. Job description, as mentioned before, delineates the various duties, responsibilities and tasks involved in the job.

Job description is an important document, which is basically descriptive in nature and contains a statement of job analysis. It provides both organizational information (like location in structure, authority, etc.) and functional information (what the work is).

It imparts information about the scope of job activities, major responsibilities and positioning of the job in the organization. This information gives the worker, analyst, and supervisor with a clear idea of what the worker must do to meet the demand of the job.

Who can better describe the characteristics of good job description?

Earnest Dale has developed the following hints for writing a good job description:

1. The job description should indicate the scope and nature of the work including all-important relationships.
2. The job description should be clear regarding the work of the position, duties etc.
3. More specific words should be selected to show:
  - (i) The kind of work
  - (ii) The degree of complexity
  - (iii) The degree of skill required
  - (iv) The extent to which problems are standardized
  - (v) The extent of worker's responsibility for each phase of the work

So we can conclude by saying that job description provides the information about the type of job and not jobholders.

#### Uses of Job Description

Job description is necessary in an organization as it has several uses:

- Preliminary drafts can be used as a basis for productive group discussion, particularly if the process starts at the executive level.
- It helps in the development of job specification.
- It acts as a tool during the orientation of new employees, to learn duties and responsibilities. It can act as a basic document used in developing performance standards.

### 6.3.2 Contents of Job Description

The main content of a job description usually consists of the following details or data:

- **Job Identification or Organization Position:** This 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 and the location indicates the name of the place.
- **Job Summary:** This serves two important purposes. First is, it imparts additional identification information when a job title is not adequate; and secondly it gives a summary about that particular job.
- **Job Duties and Responsibilities:** This gives a total listing of duties together with some indication of the frequency of occurrence or percentage of time devoted to each major duty. These two are regarded as the “Heart of the Job”.
- **Relation to Other Jobs:** This gives the particular person to locate job in the organization by indicating the job immediately below or above in the job hierarchy.
- **Supervision:** This will give an idea the number of person to be supervised along with their job titles and the extent of supervision.
- **Machine:** This will also impart information about the tool, machines and equipment to be used.
- **Working Conditions:** It imparts us information about the environment in which a jobholder must work.
- **Hazards:** It gives us the nature of risks of life and limb, their possibilities of occurrence, etc.

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## 2.5 Job Specification

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This is the other chief process of job analysis. Job specification tells about the attributes referring to education, training, skills, aptitude and experience required to perform the job. It tells what kind of a person to recruit. Job specification translates the job description into terms of the human qualifications, which are required for performance of a job. They are intended to serve as a guide in hiring and job evaluation. Job specification is a written statement of qualifications, traits, physical and mental characteristics that an individual must possess to perform the job duties and discharge responsibilities effectively.

In this, job specification usually developed with the co-operation of personnel department and various supervisors in the whole organization.

### Job Specification Information

The first step in the programme of job specification is to prepare a list of all jobs in the company and where they are located. The second step is to secure and write up information about each of the job in a company. Usually this information includes:

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- **Physical Specifications:** Physical specifications include the physical qualifications or physical capacities that vary from job to job. Physical qualifications or capacities include physical features like height, weight, chest, vision, hearing, ability to lift weight, ability to carry weight, health, age, capacity to use or operate machines, tools, equipment, etc.
- **Mental Specifications:** Mental specifications include ability to perform, arithmetical calculations, to interpret data, information blue prints, to read electrical circuits, ability to plan, reading abilities, scientific abilities, judgment, ability to concentrate, ability to handle variable factors, general intelligence, memory, etc.
- **Emotional and Social Specifications:** Emotional and social specifications are more important for the post of managers, supervisors, foremen etc. These include emotional stability, flexibility, social adaptability in human relationships, personal appearance including dress, posture, etc.
- **Behavioural Specifications:** Behavioral specifications play an important role in selecting the candidates for higher-level jobs in the organizational hierarchy. These specifications seek to describe the acts of managers rather than the traits that cause the acts. They include judgments, research, creativity, teaching ability, maturity trial of conciliation, self-reliance, dominance, etc.

### Employee Specification

Job specifications information must be converted into employee specification information in order to know what kind of person is needed to fill a job. Employee specification is like a brand name which spells that the candidate with a particular employee specification generally possesses the qualities specified under job specification.

Employee specification is useful to find out the suitability of particular class of candidates to a particular job. Thus, employee specification is useful to find out prospective employees (target group) whereas job specification is useful to select the right candidate for a job.

### Uses of Job Specification

Uses of job specification are:

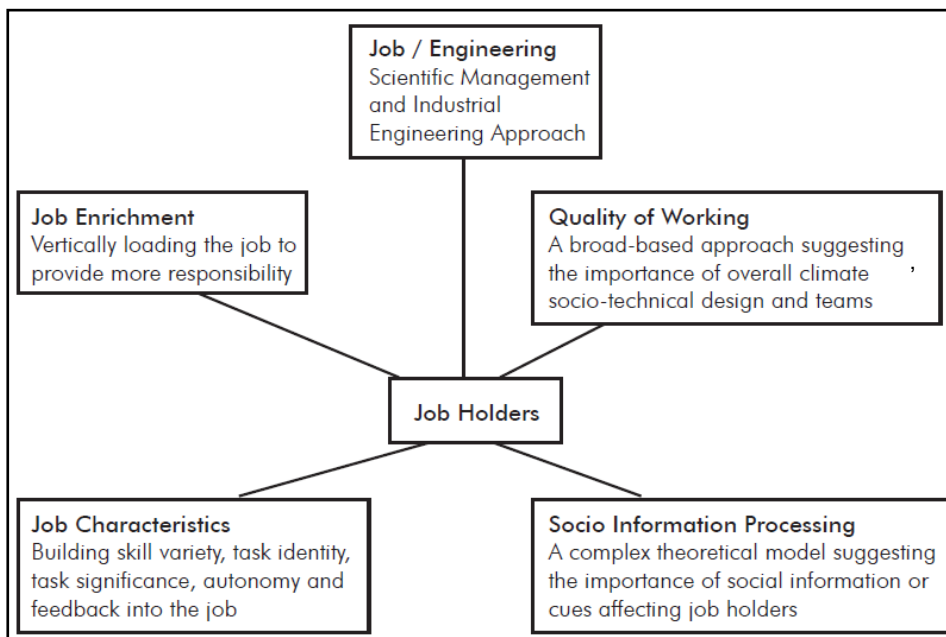
- Physical characteristics, which include health, strength, age range, body size, weight, vision, poise, etc.
- **Psychological Characteristics or Special Aptitudes:** This includes such qualities as manual dexterity, mechanical aptitude, ingenuity, judgment, etc.
- Personal characteristics or fruits of temperament such as personal appearance, good and pleasing manners, emotional stability, aggressiveness or submissiveness.



- **Responsibilities:** These include supervision of others, responsibility for *Designing and Developing* production, process and equipment, responsibility for the safety of others and responsibility for preventing monetary loss.
- **Other features of a Demographic Nature:** These are age, sex, education, experience and language ability.
- Job specifications are mostly based on the educated guesses of supervisors and personnel managers. They give their opinion as to who they think should be considered for a job in terms of education, intelligence, training, etc.
- Job specifications may also be based on statistical analysis. It is done to determine the relationship between:
  - Some characteristics or traits.
  - Some performance as rated by the supervisor.

## 2.6 Job Design

Job design is a scientific art by which maximum output can be obtained with minimum input, to the extent possible under the given circumstances. Job analysis provides the job description and job specification with the help of which the exact characteristics of what the job entails, as also of the human attributes, can be made out. With the knowledge about the tasks involved, designing or structuring of the job can be done with such schedules and daily goals, that the job lures the employee as well as reaps products. A decent and compatible job design would yield optimum results for the employer and satisfaction for the employee.



**Fig 2.1: Various Approaches to Job Design**

The pioneering scientific managers such as Fredrick W. Taylor and Frank Gilbreth, systematically examined jobs and techniques such as time and motion analysis. Their goal was to maximize human efficiency. Scientific management approach is usually based on:

1. **Dimension of Work:** By age old principle of division of labour, bigger tasks are divided into smaller feasible sections.
2. **Specialization:** Based on certain aptitude tests, people who are best suited for some jobs are specially put to do these jobs, thus specializing them to certain tasks.

### Use of Technological and Scientific Methods

1. **Training:** Developing and sharpening their skills by providing them need based learning.
2. **Autonomy:** Giving responsibilities and freedom to operate, within of course the broad framework of the organization.
3. **Feedback:** To check the progress and performance of the jobs.

### Job Design in Developing Countries

For budding managers working in developing countries (even though employed in MNCs or TNCs), it is always better to know some exclusive techniques. But first let us understand the four dimensions characterized as HOFSTEDE Dimensions.

1. **Power Distance Societies:** The extent to which a society accepts unequal distribution of power in institutions.
2. **Uncertainty Avoidance:** The extent to which a society feels threatened by uncertainty and ambiguity.
3. **Individualism Collectivism:** The extent of social coupling and group identity expected and experienced by individuals in a society.
4. **Masculinity Femininity:** The extent to which dominant values in society emphasize assertiveness and material acquisitions (as opposed to more intangible outcomes like quality of life).

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## 2.7 Objectives of Human Resource Planning

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The basic purpose of having a human resource plan is to have an accurate estimate of the number of employees required, with matching skill requirements to meet organizational objectives. It would also give an indication of the lead time that is available to select and train the required number of additional manpower.

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

- **Forecast Personnel Requirements:** HR planning is essential to determine the future manpower needs in an organization. In the absence of such a plan, it would be difficult to have the services of right kind of people at the right time.

- **Cope with Changes:** HR planning is required to cope with changes in market conditions, technology, products and government regulations in an effective way. These changes may often require the services of people with the requisite technical knowledge and training. In the absence of an HR plan, we may not be in a position to enlist their services in time.
- **Use Existing Manpower Productively:** By keeping an inventory of existing personnel in an enterprise by skill, level, training, educational qualifications, work experience; it will be possible to utilize the existing resources more usefully in relation to the job requirements. This also helps in decreasing wage and salary costs in the long run.
- **Promote Employees in a Systematic Manner:** HR planning provides useful information on the basis of which management decides on the promotion of eligible personnel in the organization. In the absence of an HR plan, it may be difficult to ensure regular promotions to competent people on a justifiable basis.

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## 2.8 Importance of HRP

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

- **Reservoir of Talent:** The organization can have a reservoir of talent at any point of time. People with requisite skills are readily available to carry out the assigned tasks.
- **Prepare People for Future:** People can be trained, motivated and developed in advance and this helps in meeting future needs for high-quality employees quite easily. Likewise, human resource shortages can also be met comfortably (when people quit the organization for various reasons) through proper human resource planning.
- **Expand or Contract:** If the organization wants to expand its scale of operations, it can go ahead easily. Advance planning ensures a continuous supply of people with requisite skills who can handle challenging jobs easily.
- **Cut Costs:** Planning facilitates the preparation of an appropriate HR budget for each department or division. This, in turn, helps in controlling manpower costs by avoiding shortages/excesses in manpower supply. The physical facilities such as canteen, quarters, school, medical help, etc., can also be planned in advance.
- **Succession Planning:** Human Resource Planning, as pointed out previously, prepares people for future challenges. The 'stars' can be picked up and kept ready for further promotions whenever they arise. All multinational companies for example, have this policy of having a 'hot list' of promising candidates prepared in advance, e.g., HLL, Proctor & Gamble, Godrej consumer products, etc.

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## 2.9 The Process of Human Resource Planning

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

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#### Forecasting the Demand for Human Resources

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

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

3. **Workforce Factors:** Demand is modified by retirements, terminations, resignations, deaths and leaves of absence. Past experience, however, makes the rate of occurrence of these actions by employees fairly predictable.

4. **Forecasting Techniques:** The manpower forecasting techniques commonly employed by modern organizations are given below:

(i) **Expert Forecasts:** In this method, managers estimate future human resource requirements, using their experiences and judgments to good effect.

(ii) **Trend Analysis:** HR needs can be estimated by examining past trends. Past rates of change can be projected into the future or employment growth can be estimated by its relationship with a particular index.

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

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

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

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

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

While determining manpower requirements through work load analysis, commercial banks may have to take the following factors into consideration:

(i) the number of transactions to be handled by an employee; (ii) the amount of deposits and advances per employee; (iii) special requirements in respect of managing extension counters, currency chests, mobile branches, etc.; (iv) future expansion plans of the bank concerned. Managerial judgment – a study of the past trends – may serve as a useful guide in this regard. Statistical and econometric models may also be pressed into service, sometimes, depending on the requirement(s).

8. **Job Analysis:** Job analysis helps in finding out the abilities or skills required to do the jobs efficiently. A detailed study of jobs is usually made to identify the qualifications and experience required for them. Job analysis includes two things: Job description and job specification. Job description is a factual statement of the duties and responsibilities of a specific job. It gives an indication of what is to

be done, how it is to be done and why it is to be done. Job specification provides information on the human attributes in terms of education, skills, aptitudes and experience necessary to perform a job effectively.

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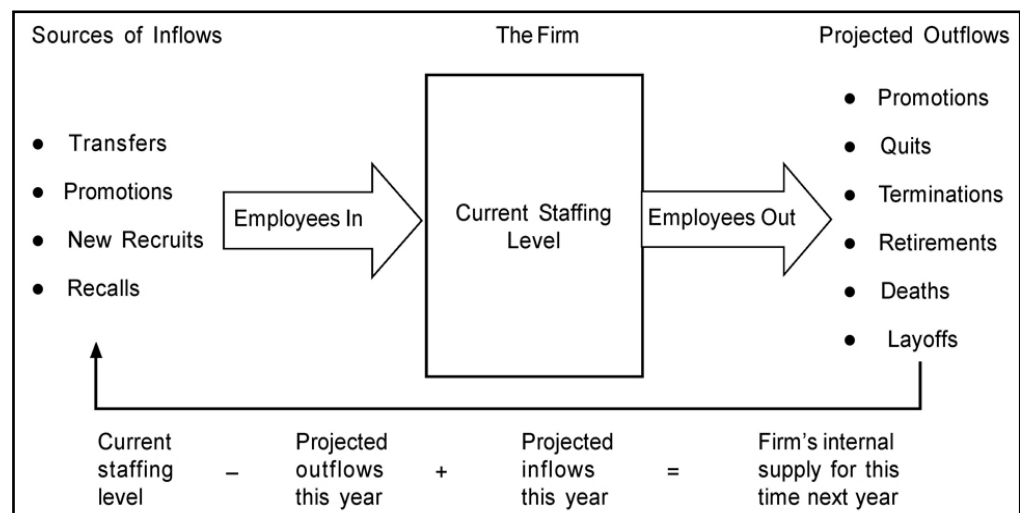
**Preparing Manpower Inventory (Supply Forecasting)**

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

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

Some of the important forecasting techniques have been summarized below:

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



**Fig 2.2: Estimated Internal Labour Supply for a Given Firm**

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

**Figures in Circles Show the Transition Percentages**

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

Notes

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

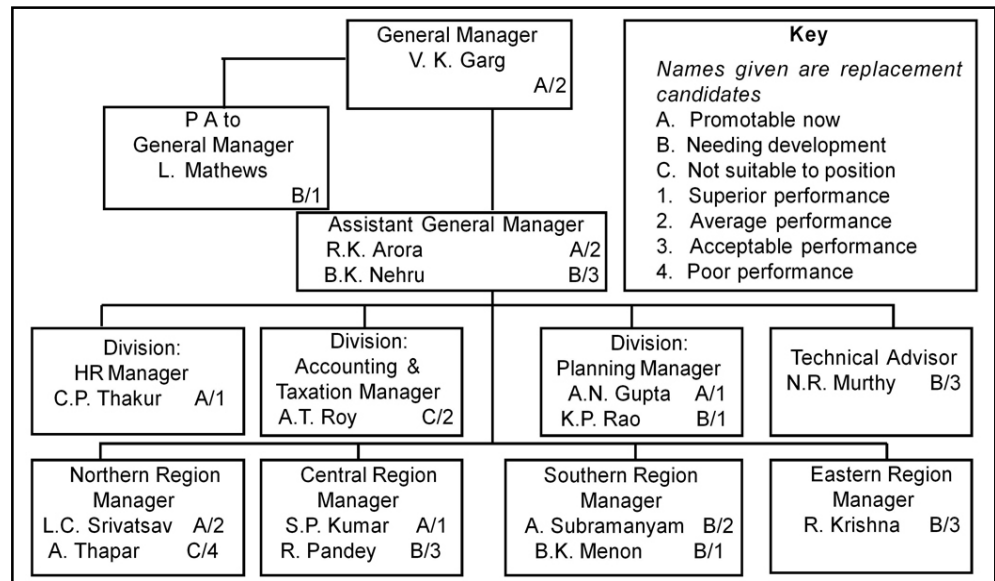
**Fig 2.3: Marcov Analysis for a Hypothetical Retail Company**

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

**Fig 2.4: An Example of a Skills Inventory**

**Replacement Chart:** It shows the profile of job holders department-wise and offers a snapshot of who will replace whom if there is a job opening.

Notes



**Fig 2.5: An Executive Replacement Chart**

**External Labour Supply:** When the organization grows rapidly, diversifies into newer areas of operations (merchant banking, capital market operations, mutual funds, etc. in the case of a bank) or when it is not able to find the people internally to fill the vacancies, it has to look into outside sources. To the extent an organization is able to anticipate its outside recruitment needs and looks into the possible sources of supply keeping the market trends in mind, its problem in finding the right personnel with appropriate skills at the required time would become easier.

Organizations, nowadays, do not generally track the qualifications of thousands of employees manually. Details of employees in terms of knowledge, skills, experience, abilities, etc., are computerized, using various packaged software systems.

**Important Barometers of Labour Supply**

1. Net migration into and out of the area
2. Education levels of workforce
3. Demographic changes in population
4. Technological developments and shifts
5. Population Mobility
6. Demand for specific skills
7. National, regional unemployment rates
8. Actions of competing employers
9. Government policies, regulations, pressures



10. Economic Forecasts for the next few years
11. The attractiveness of an area
12. The attractiveness of an industry in a particular place

## Notes

### Forecasting the Human Resource Requirement

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

### Formulating HR Plans

Organizations operate in a changing environment. Consequently, human resource requirements also change continually. Changes in product mix, union agreements, competitive actions are some of the important things that need special attention. The human resource requirements need to be translated into a concrete HR plan, backed up by detailed policies, programmes and strategies (for recruitment, selection, training, promotion, retirement, replacement, etc.).

**Recruitment plan:** It will indicate the number and type of people required and when they are needed; special plans to recruit right people and how they are to be dealt with via the recruitment programme.

**Redeployment plan:** It will indicate the programmes for transferring or retraining existing employees for new jobs.

**Redundancy plan:** It will indicate who is redundant, when and where; the plans for retraining, where this is possible; and plans for golden handshake, retrenchment, lay-off, etc.

**Training plan:** It will indicate the number of trainees or apprentices required and the programme for recruiting or training them; existing staff requiring training or retraining; new courses to be developed or changes to be effected in existing courses.

**Productivity plan:** It will indicate reasons for employee productivity or reducing employee costs through work simplification studies, mechanization, productivity bargaining; incentives and profit sharing schemes, job redesign, etc.

**Retention plan:** It will indicate reasons for employee turnover and show strategies to avoid wastage through compensation policies; changes in work requirements and improvement in working conditions.

**Control points:** The entire manpower plan is subjected to close monitoring from time to time. Control points be set up to find out deficiencies, periodic updating of manpower inventory, in the light of changing circumstances, be undertaken to remove deficiencies and develop future plans.

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## 2.10 Sources of Recruitment

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The sources of recruitment may be broadly divided into two categories: internal sources and external sources.

### Internal Sources

These sources include the employees already on the payroll i.e., present work force. Whenever any new vacancy arises, people from within the organization will be upgraded, prompted, transferred or demoted. The process of filling job openings by selecting from among the pool of present workforce can be implemented by the following methods:

- Reviewing the personnel records.
- Job posting and job bidding.
- Inside moonlighting and employee's friends.

Review of the personnel records and skills inventory provides adequate information for the personnel director to find suitable candidates for a particular position. Under job posting and bidding system, the organization notifies its present employees of openings, using bulletin boards, and company publications, etc. This is a more open approach where everyone gets the same right to apply for a job and bid for the same. If the labour shortage is of short-term nature and great amount of additional labour is not necessary, then organization employs 'inside moonlighting.' It is a technique where organization pays bonuses of various types to people not on a time payroll. Overtime procedures are, in many organizations, developed for those on time payroll. Furthermore, before going outside to recruit many organizations ask the present employees to encourage friends and relatives to apply.

### External Sources

External sources lie outside an organization. Here the organization can have the services of:

1. Employees working in other organizations;
2. Job aspirants registered with employment exchanges;
3. Students from reputed educational institutions;
4. Candidates referred by unions, friends, relatives and existing employees;
5. Candidates forwarded by search firms and contractors;
6. Candidates responding to the advertisements, issued by the organization and
7. Unsolicited applications/walk-ins.

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## 2.11 Methods of Recruitment

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

## Promotions and Transfers

This is a method of filling vacancies from within through transfers and promotions. A transfer is a lateral movement within the same grade, from one job to another. It may lead to changes in duties and responsibilities, working conditions, etc., but not necessarily salary. Promotion, on the other hand, involves movement of employee from a lower level position to a higher level position accompanied by (usually) changes in duties, responsibilities, status and value. Organizations generally prepare *badli* lists or a central pool of persons from which vacancies can be filled for manual jobs. Such persons are usually passed on to various departments, depending on internal requirements. If a person remains on such rolls for 240 days or more, he gets the status of a permanent employee as per the Industrial Disputes Act and is, therefore, entitled to all relevant benefits, including provident fund, gratuity, retrenchment compensation.

## Job Posting

Job posting is another way of hiring people from within. In this method, the organization publicises job openings on bulletin boards, electronic media and similar outlets. One of the important advantages of this method is that it offers a chance to highly qualified applicants working within the company to look for growth opportunities within the company without looking for greener pastures outside.

## Employee Referrals

Employee referral means using personal contacts to locate job opportunities. It is a recommendation from a current employee regarding a job applicant. The logic behind employee referral is that “it takes one to know one”. Employees working in the organization, in this case, are encouraged to recommend the names of their friends working in other organizations for a possible vacancy in the near future. In fact, this has become a popular way of recruiting people in the highly competitive information technology industry nowadays. Companies (Citibank doles out a cool ₹ 50,000; Hewlett-Packard pays a flat amount of ₹ 4,000; Hughes Software ₹ 5,000 to ₹ 15,000, etc. See B.T. Sep. 2000) offer rich rewards also to employees whose recommendations are accepted – after the routine screening and examining process is over – and job offers extended to the suggested candidates. As a goodwill gesture, companies also consider the names recommended by unions from time to time.

## Campus Recruitment

It is a method of recruiting by visiting and participating in college campuses and their placement centres. Here, the recruiters visit reputed educational institutions such as IITs, IIMs, colleges and universities with a view to pick up job aspirants who have requisite technical or professional skills. Job seekers are provided information about the jobs and the recruiters, in turn, get a snapshot of job seekers through constant interchange

## Notes

of information with respective institutions. A preliminary screening is done within the campus and the shortlisted students are then subjected to the remainder of the selection process. In view of the growing demand for young managers, most reputed organizations (such as Hindustan Lever Ltd., Procter & Gamble, Citibank, State Bank of India, Tata and Birla group companies) visit IIMs and IITs regularly and even sponsor certain popular campus activities with a view to earn goodwill in the job market. Advantages of this method include: the placement centre helps locate applicants and provides resumes to organizations; applicants can be prescreened; applicants will not have to be lured away from a current job and lower salary expectations. On the negative front, campus recruiting means hiring people with little or no work experience. The organization will have to offer some kind of training to the applicants, almost immediately after hiring. It demands careful advance planning, looking to the placement weeks of various institutions in different parts of the country. Further, campus recruiting can be costly for organizations situated in another city (airfare, boarding and lodging expenses of recruiters, site visit for applicants if allowed, etc.).

### Advertisements

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

**Newspapers Ads:** Here it's easy to place job ads without much of a lead time. It has flexibility in terms of information and can conveniently target a specific geographic location. On the negative side, newspaper ads tend to attract only those who are actively seeking employment at that point of time, while some of the best candidates who are well paid and challenged by their current jobs may not be aware of such openings. As a result, the company may be bombarded with applications from a large number of candidates who are marginally qualified for the job – adding to its administrative burden (Infosys Technologies Ltd., had to process 3 lakh applications for a few vacancies in the company during the year 2001). To maintain secrecy for various reasons (avoiding the rush, sending signals to competitors, cutting down expenses involved in responding to any individual who applies, etc.), large companies with a national reputation may also go in for blind-box ads in newspapers, especially for filling lower level positions. In a blind-box advertisement, there is no identification of the advertising organization. Job aspirants are asked to respond to a post office box number or to an employment search firm that is acting as an agent between the job seeker and the organization.

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

### **Private Employment Search Firms**

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

### **Employment Exchanges**

As a statutory requirement, companies are also expected to notify (wherever the Employment Exchanges Act, 1959, applies) their vacancies through the respective employment exchanges, created all over India for helping unemployed youth, displaced persons, ex-military personnel, physically handicapped, etc. As per the Act, all employers are supposed to notify the vacancies arising in their establishment from time to time – with certain exemptions – to the prescribed employment exchanges before they are filled. The Act covers all establishments in public sector and non-agricultural establishments employing 25 or more workers in the private sector. However, in view of the practical difficulties involved in implementing the provisions of the Act (such as filling a quarterly return in respect of their staff strength, vacancies and shortages, returns showing occupational distribution of their employees, etc.) many organizations have successfully fought court battles when they were asked to pick up candidates from among those sponsored by the employment exchanges.

### **Gate Hiring and Contractors**

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

### **Unsolicited Applicants/Walk-ins**

Companies generally receive unsolicited applications from job seekers at various points of time. The number of such applications depends on economic conditions, the image of

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the company and the job seeker's perception of the types of jobs that might be available, etc. Such applications are generally kept in a data bank and whenever a suitable vacancy arises, the company would intimate the candidate to apply through a formal channel. One important problem with this method is that job seekers generally apply to a number of organizations and when they are actually required by the organization, either they are already employed in other organizations or are not simply interested in the position.

**e-hiring**

The first step in e-hiring is to get a URL (Universal Resource Location) that people can conveniently guess and thus, not have to use a search engine. There is no point in being a famous company if people cannot find you without trouble on the net. Step two is to put out detailed job postings—spelling out your exact requirements. A separate web page would help potential applicants to find whether they fit into the announced job openings or not. You are likely to get a lot of surf-ins if the details of openings are listed category-wise. Allow people to apply on-line. Create an e-form which can be filled up on line, and then you do the calling-up. Finally, ask HR to maintain a data base on all applications. You may not have an opening today. But, remember tomorrow may be another desperate day for you to look for people with requisite skills, qualifications and experience.

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**2.12 Importance of Recruitment**

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Recruitment is an important function of the management system. It is important in:

- Determining the organizations long and short range needs by job title and levels in the organization;
- Staying informed of job market conditions;
- Developing effective recruitment material;
- Obtaining a pool of qualified applicants.
- Developing a systematic program of recruitment in conjunction with other HR activities;
- Recording the number and quality of job applicants produced by various sources and methods of recruiting;
- Following up on applicants those hired and not hired in order to evaluate the effectiveness of recruitment effort;
- Accomplishing all of these activities within a legal context and
- Providing organization with a pool of qualified candidates.

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**2.13 Socialization Benefits**

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Socialization may be defined as a process of adaptation to a new culture of the organization. It is a process of indoctrinating the new employees with the organization

culture. The organization takes steps to get them adapt to its existing culture. It socializes the new employees and moulds them to accept its standards and norms.

Unsuccessful candidates should also be promptly notified and through this process employees are able to understand the basic values, norms and customs for becoming accepted members of the organization and assuming organizational roles. People who do not learn to adjust with the culture of the organization are labeled as rebels and non-conformists and may be turned out of the organization.

It performs two functions:

1. It creates uniform behaviour in members, increases understanding, reduces conflicts, etc.
2. It reduces ambiguity of the employees as they will come to know what is expected of them. Maannen & Schein have conceptualized three stages in the process of socialization:
  1. **Pre-arrival:** It denotes the period of learning in the socialization process that occurs before a new worker joins the organization. The new worker has a set of values, beliefs, attitudes and expectations. Such factors must be taken care at the selection stage itself. Only those people should be selected who might be able to fit in the organizations culture. The candidates should be told about the organization culture during selection process in order to avoid wrong selection.
  2. **Encounter:** The new employee enters this stage when he joins the organization. He comes to know what the organization is like and may find divergence between his expectations and those of the organization. In such case he must undergo socialization that will detach him from his previous notions and assumptions about the organization and make him learn another set the organization deems desirable. If he is not able to change his expectations and adapt himself to the organization he might have to leave the organization.
  3. **Metamorphosis:** The real transformation in the new employee takes place when he adapts to his workgroup's values and norms and becomes comfortable with the organization and his job. His internalization of organization's culture wins him acceptability among his colleagues and creates confidence as a result he feels committed to the organization.

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## 2.14 Recruitment Practices

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The experiential guide brought out by Business Today, Jan 7-21, 1996, summarizing the results of a path-breaking survey of Indian industries, commented thus about the recruitment function: "Woven into strategic planning, recruitment no longer involves short-term vacancy-filling measures or the annual ritual of campus recruitment. Translating corporate strategies into a manpower plan and developing a long-term hiring

## Notes

programme accordingly, corporations are tracking down people with the combination of knowledge, experience, skills and behaviour best suited to achieving the company's objectives".

What do Indian companies expect from job-seekers?

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

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

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

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

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

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

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## 2.15 Selection

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To select means to choose. Selection is the process of picking individuals who have relevant qualifications to fill jobs in an organization. The basic purpose is to choose the



individual who can most successfully perform the job from a pool of qualified candidates.

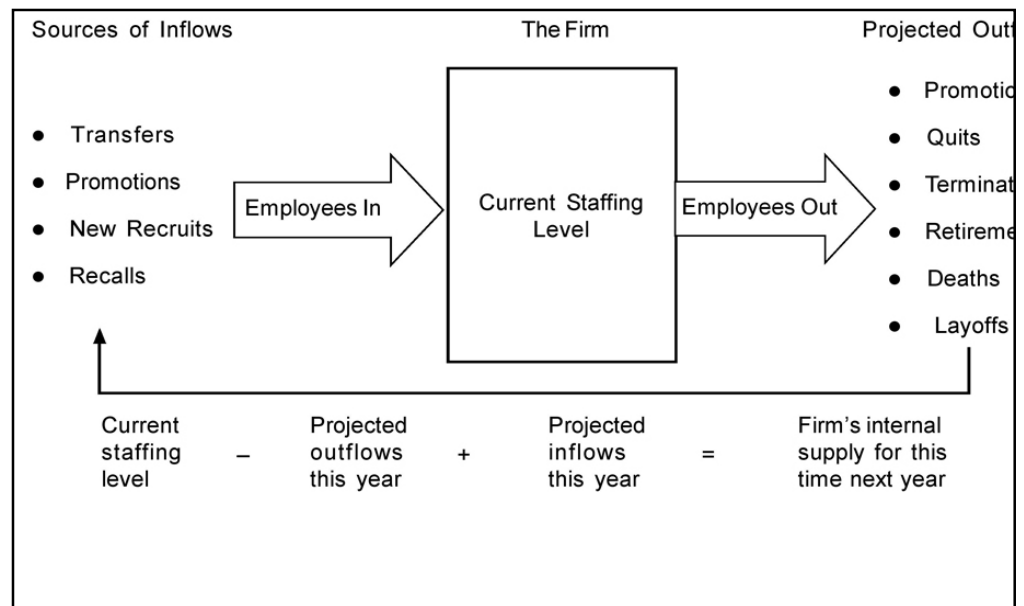
The purpose of selection is to pick up the most suitable candidate who would meet the requirements of the job and the organization in the best way and to find out which job applicant will be successful, if hired. To meet this goal, the company obtains and assesses information about the applications in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

### The Process of Selection

Selection is usually a series of hurdles or steps. Each one must be successfully cleared before the applicant proceeds to the next. Figure 9.1 outlines the important steps in the selection process of a typical organization. The time and emphasis placed on each step will, of course, vary from one organization to another and, indeed, from job to job within the same organization. The sequencing of steps may also vary from job to job and organization to organization.

1. **Reception:** A company is known by the people it employs. In order to attract people with talents, skills and experience a company has to create a favourable impression on the applicants' right from the stage of reception. Whoever meets the applicant initially should be tactful and able to extend help in a friendly and courteous way. Employment possibilities must be presented honestly and clearly. If no jobs are available at that point of time, the applicant may be asked to call back the personnel department after some time.
2. **Screening Interview:** A preliminary interview is generally planned by large organizations to cut the costs of selection by allowing only eligible candidates to go through the further stages in selection. A junior executive from the Personnel Department may elicit responses from applicants on important items determining the suitability of an applicant for a job such as age, education, experience, pay expectations, aptitude, location, choice, etc. This 'courtesy interview', as it is often called, helps the department screen out obvious misfits. If the department finds the candidate suitable, a prescribed application form is given to the applicants to fill and submit.

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**Fig 2.6: Steps in the Selection Process**

3. **Application Blank:** Application blank or form is one of the most common methods used to collect information on various aspects of the applicants' academic, social, demographic, work-related background and references. It is a brief history sheet of an employee's background, usually containing the following things:

**Contents of Application Blanks**

- Personal data (address, sex, identification marks)
- Marital data (single or married, children, dependents)
- Physical data (height, weight, health condition)
- Educational data (levels of formal education, marks, distinctions)
- Employment data (past experience, promotions, nature of duties, reasons for leaving previous jobs, salary drawn, etc.)
- Extra-curricular activities data (sports/games, NSS, NCC, prizes won, leisure-time activities)
- References (names of two or more people who certify the suitability of an applicant of the advertised position)

**Weighted Application Blanks (WABs):** To make the application form more job-related, some organizations assign numeric values or weights to responses provided by the applicants. Generally, the items that have a strong relationship to job performance are given high scores. For example, for a medical representative's position items such as previous selling experience, marital status, age, commission earned on sales previously, etc., may be given high scores when compared to other items such as religion, sex, language, place of birth, etc. The total score of each applicant is obtained by summing

the weights of the individual item responses. The resulting scores are then used in the selection decision. The WAB is best suited for jobs where there are many workers, especially for sales and technical jobs and it is particularly useful in reducing turnover. There are, however, several problems associated with WABs. It takes time to develop such a form. The cost of developing a WAB could be prohibitive if the organization has several operating levels with unique features. The WAB must be “updated every few years to ensure that the factors previously identified are still valid predictors of job success”. And finally, the organization should be careful not to depend on weights of a few items while selecting an employee.

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## **2.16 Selection Tests**

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A test is a standardized, objective measure of a person’s behaviour, performance or attitude. It is standardized because the way the test is carried out, the environment in which the test is administered and the way the individual scores are calculated – are uniformly applied. It is objective the sense in that it tries to measure individual differences in a scientific way, giving very little room for individual bias and interpretation.

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

### **Intelligence Tests**

These are mental ability tests. They measure the incumbent’s learning ability and also the ability to understand instructions and make judgements. The basic objective of intelligence tests is to pick up employees who are alert and quick at learning things so that they can be offered adequate training to improve their skills for the benefit of the organization. Intelligence tests measure not a single trait, but rather several abilities such as memory, vocabulary, verbal fluency, numerical ability, perception, spatial visualization, etc. Stanford-Binet test, Binet-Simon test and the Wechsler Adult Intelligence scale are the examples of standard intelligence tests. Some of these tests are increasingly used in competitive examinations while recruiting graduates and postgraduates at entry level management positions in banking, insurance and other financial services sectors.

### **Aptitude Tests**

Aptitude tests measure an individual’s potential to learn certain skills – clerical, mechanical, mathematical, etc. These tests indicate whether or not an individual has the ability to learn a given job quickly and efficiently. In order to recruit efficient office staff, aptitude tests are necessary. Clerical tests, for example, may measure the incumbent’s ability to take notes, perceive things correctly and quickly locate things,

ensure proper movement of files, etc. Aptitude tests, unfortunately, do not measure on-the-job motivation. That is why the aptitude test is administered in combination with other tests like, intelligence and personality tests.

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### **Personality Tests**

Of all the tests required for selection, personality tests have generated a lot of heat and controversy. The definitions of personality, method of measuring personality factors and the relationship between personality factors and actual job criteria have been the subject of much discussion. Researchers have also questioned whether applicants answer all the items truthfully or whether they try to respond in a socially desirable manner. Regardless of these objections, many people still consider personality as an important component of job success.

### **Achievement Tests**

These are designed to measure what the applicant can do on the job currently, i.e., whether the testee actually knows what he or she claims to know. A typing test shows typing proficiency, a short hand test measures the testee's ability to take dictation and transcribe, etc. Such proficiency tests are also known as work sampling tests. Work sampling is a selection test wherein the job applicant's ability to do a small portion of the job is tested. These tests are of two types; Motor, involving physical manipulation of things (e.g., trade tests for carpenters, plumbers, electricians) or Verbal, involving problem situations that are primarily language-oriented or people-oriented (e.g., situational tests for supervisory jobs).

Since work samples are miniature replicas of actual job requirements, they are difficult to fake. They offer concrete evidence of the proficiency of an applicant as against his ability to do the job. However, work-sample tests are not cost effective, as each candidate has to be tested individually (Cascio, p. 212). It is not easy to develop work samples for each job. Moreover, it is not applicable to all levels of the organization. For managerial jobs, it is often not possible to develop a work sample test that can take care of all the full range of managerial abilities.

### **Simulation Tests**

Simulation exercise is a test which duplicates many of the activities and problems an employee faces while at work. Such exercises are commonly used for hiring managers at various levels in an organization. To assess the potential of a candidate for managerial positions assessment centres are commonly used.

### **Assessment Centre**

An assessment centre is an extended work sample. It uses procedures that incorporate group and individual exercises. These exercises are designed to simulate the type of work which the candidate will be expected to do. Initially, a small batch of applicants

comes to the assessment centre (a separate room). Their performance in the situational exercises is observed and evaluated by a team of 6 to 8 trained assessors. The assessors' judgements on each exercise are compiled and combined to have a summary rating for each candidate being assessed.

### ***Simulated Exercises in the Assessment Centre Approach***

Initially, a small batch of applicants comes to the assessment centre (a separate room). Their examples of the real-life but simulated exercises included in a typical assessment centre are as follows:

1. ***The In-basket***: Here the candidate is faced with an accumulation of reports, memos, letters and other materials collected in the in-basket of the simulated job he is supposed to take over. The candidate is asked to take necessary action on each of these materials, say, by writing letters, notes, agendas for meetings, etc. The results of the applicant's actions are then reviewed by the evaluators.
2. ***The Leaderless Group Discussion***: In this exercise, a leaderless group is given a discussion question and asked to arrive at a group decision. The evaluators then evaluate each participant's interpersonal skills, acceptance by the group, leadership and individual influence, etc.
3. ***Business Games***: Here participants try to solve a problem, usually as members of two or more simulated companies that are competing in the market place. Decisions might include how to advertise and produce, how to penetrate the market, how much to keep in stock, etc. Participants thereby exhibit planning and organizational abilities, interpersonal skills and leadership abilities. Business games have several merits: they reduce time, events that might not take place for months or years are made to occur in a matter of hours. They are realistic and competitive in nature. They offer immediate feedback also.
4. ***Individual Presentations***: A participant's communication skills are evaluated by having the person to make an oral presentation of a given topic.
5. ***Structured Interview***: Evaluators ask a series of questions aimed at the participant's level of achievement, motivation, potential for being a 'self-starter' and commitment to the company.

### **Graphology Tests**

Graphology involves a trained evaluator to examine the lines, loops, hooks, strokes, curves and flourishes in a person's handwriting to assess the person's personality and emotional make-up. The recruiting company may, for example, ask applicants to complete application forms and write about why they want a job. These samples may be finally sent to a graphologist for analysis and the results may be put to use while selecting a person. The use of graphology, however, is dependent on the training and expertise of the person doing the analysis. In actual practice, questions of validity and just plain skepticism have limited its use.

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### **Polygraph (Lie-detector) Tests**

The polygraph records physical changes in the body as the test subject answers a series of questions. It records fluctuations in respiration, blood pressure and perspiration on a moving roll of graph paper. The polygraph operator forms a judgement as to whether the subject's response was truthful or deceptive by examining the biological movements recorded on the paper. Polygraphs, despite strong resistance by many applicants, are increasingly being used by companies which have problems with inventory and security of funds. Government agencies have begun to use the polygraph, especially for filling security, police, fire and health positions. Critics, however, question the appropriateness of polygraphs in establishing the truth about an applicant's behaviour. The fact is that a polygraph records biological reaction in response to stress and does not record lying or even the conditions necessarily accompanying lying. Is it possible to prove that the responses recorded by the polygraph occur only because a lie has been told? What about those situations in which a person lies without guilt (a pathological liar) or lies believing the response to be true? The fact of the matter is that polygraphs are neither reliable nor valid. Since they invade the privacy of those tested, many applicants vehemently oppose the use of polygraph as a selection tool.

### **Integrity Tests**

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

- Have you ever told a lie?
- Do you report to your boss if you know of another employee stealing from the store?
- Do you carry office stationery back to your home for occasional use?
- Do you mark attendance for your colleagues also?

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

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## **2.17 Validation**

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Validity is the extent to which an instrument measures what it intends to measure. In a typing test, validity measures a typist's speed and accuracy. To determine whether it really measures the speed and accuracy of a typist is to demonstrate its validity. The question of determining the validity of a selection test, thus, has a lot to do with later performance on the job (known as criterion: a selection tool such as a test or an interview

is referred to as a predictor and what it measures – job performance – is a criterion). If a person has done well both in selection and subsequently on the job, the test of selection would be accepted as a valid ‘technique for selection’.

There are three types of validity important in the selection and recruitment of human resources. Content validity is the degree to which the content of the test represents the actual work situation. For example, a typing test has high content validity for a typist.

Construct validity is the degree to which a specific trait is related to successful job performance. For example, honesty would be important for a bank cashier. Criterion related validity is the degree to which a specific selection tool accurately predicts the important elements of work (Job performance or criterion).

Criterion related validity is subdivided into two types: predictive and concurrent.

Predictive validity involves picking a criterion predictor such as a test, administering the test to the entire pool of job applicants and then hiring people to fill the vacancies without taking their test scores into account. At a later date, the test scores are correlated with the criterion of job success to find out whether those people with high test scores performed substantially better than those with low test scores. This kind of validation is not frequently used because it is costly and slow. To use this, a large number of new employees must be hired at the same time without regard to their test scores. This would mean hiring both good and bad employees. Further, for criteria to be predictive, all new employees must have equivalent orientation or training.

Concurrent validity involves identifying a criterion predictor such as a test, administering the test to present employees and correlating the test scores with the present employees’ performance on the job. A high degree of correlation indicates (e.g.,  $r = + 0.80$  or higher) that the tests can be used for hiring future employees.

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## **2.18 Selection Interview**

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Interview is the oral examination of candidates for employment. This is the most essential step in the selection process. In this step the interviewer matches the information obtained about the candidate through various means to the job requirements and to the information obtained through his own observations during the interview. Interview gives the recruiter an opportunity:

- To size up the candidate personally.
- To ask questions those are not covered in tests.
- To make judgements on candidate’s enthusiasm and intelligence.
- To assess subjective aspects of the candidate – facial expressions, appearance, nervousness and so forth.
- To give facts to the candidate regarding the company, its policies, programmes, etc., and promote goodwill towards the company.

## **Types of Interviews**

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

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**The Non-directive Interview:** In a *non-directive interview* the recruiter asks questions as they come to mind. There is no specific format to be followed. The questions can take any direction. The interviewer asks broad, open-ended questions such as ‘tell me more about what you did on your last job’ – and allows the applicant to talk freely with a minimum of interruption. Difficulties with a non-directive interview include keeping it job related and obtaining comparable data on various applicants.

**The Directive or Structured Interview:** In the directive interview, the recruiter uses a predetermined set of questions that are clearly job related. Since every applicant is asked the same basic questions, comparison among applicants can be made more easily. Structured questions improve the reliability of the interview process, eliminate biases and errors and may even enhance the ability of a company to withstand legal challenge. On the negative side, the whole process is somewhat mechanical, restricts the freedom of interviewers and may even convey disinterest to applicants who are used to more flexible interviews. Also, designing a structured interview may take a good amount of time and energy.

**The Situational Interview:** One variation of the structured interview is known as the situational interview. In this approach, the applicant is confronted with a hypothetical incident and asked how he or she would respond to it. The applicant’s response is then evaluated relative to pre-established benchmark standards.

**The Behavioural Interview:** The behavioural interview focuses on actual work incidents (as against hypothetical situations in the situational interview) in the applicant’s past. The applicant is supposed to reveal what he or she did in a given situation, for example, how he disciplined an employee who was smoking inside the factory premises.

**Stress Interview:** In stress interview, the interviewer attempts to find how applicants would respond to aggressive, embarrassing, rude and insulting questions. The whole exercise is meant to see whether the applicant can cope with highly stress-producing, anxious and demanding situations while at work, in a calm and composed manner. Such an approach may backfire also, because the typical applicant is already somewhat anxious in any interview. So, the applicant that the firm wants to hire might even turn down the job offer under such trying conditions.

**Panel Interview:** In a typical panel interview, the applicant meets three to five interviewers who take turns asking questions. After the interview, the interviewers pool their observations to arrive at a consensus about the suitability of the applicant. The panel members can ask new and incisive questions based on their expertise and experience and elicit deeper and more meaningful responses from candidates. Such an interview could also limit the impact of the personal biases of any individual interviewer. On the negative side, as an applicant, a panel interview may make you feel more stressed than usual.



## **Medical Examination**

Certain jobs require certain physical qualities like clear vision, perfect hearing unusual stamina, tolerance of hard working conditions, clear tone, etc. Medical examination reveals whether or not a candidate possesses these qualities. Medical examination can give the following information:

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

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## **2.19 Summary**

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Job analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job. A job is a collection of tasks that can be performed by a single employee to contribute to the production of some products or services provided by the organization. There are four techniques of Job Analysis- 1. Interview, 2. Questionnaire, 3. Observation, and 4. Data from Daily Log Books.

Job description is an important document, which is basically descriptive in nature and contains a statement of job analysis. It provides both organizational information (like location in structure, authority, etc.) and functional information (what the work is). Job specification is a written statement of qualifications, traits, physical and mental characteristics that an individual must possess to perform the job duties and discharge responsibilities effectively. The first step in the programme of job specification is to prepare a list of all jobs in the company and where they are located. The second step is to secure and write up information about each of the jobs in a company.

Employee specification is like a brand name which spells that the candidate with a particular employee specification generally possess the qualities specified under job specification. Job design is a scientific art by which maximum output can be obtained with minimum input, to the extent possible under the given circumstances.

HR Planning is essentially the process of getting the right number of qualified people into the right job at the right time so that an organization can meet its objectives. Organizations use HRP as a means of achieving greater effectiveness. HRP systematically attempts to forecast personnel demand, assess supply and reconcile the two. The HR Planning process—it must be remembered, should be tuned to organizational objectives and strategies. While developing HR Plans, managers should scan the external environment carefully to identify the effects of economic, social, competitive and

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governmental influences. To overcome problems such as lopsided focus on quantitative aspects, lack of support at the top level, inaccurate estimates due to poor search efforts, planners should install HRIS and implement the same sincerely.

Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. Certain influences restrain (the freedom of) managers while choosing a recruiting source such as: image of the company, attractiveness of the job, internal policies, budgetary support, government policies etc. Recruitment is influenced by a variety of environmental factors – economic, social, technological, political, legal etc.

Companies generally rely on time lapse data, yield ratios; surveys etc., to evaluate the sources of recruiting carefully. Recruiters these days expect B-School graduates to possess certain special skills such as ability to work in a team, problem solving, and creativity and communication skills, in addition to strong leadership potential.

The selection process starts from reception through initial screening, application, testing, interview, medical and reference checking must be handled by trained, knowledgeable individuals. Selection tests include intelligence and aptitude tests, achievement tests, assessment centres and general psychological or personality tests.

The value of tests should not be discounted, since they are objective and offer a broader sampling of behaviour.

The interview is an important source of information about job applicants. Several types of interviews are used, depending on the nature and importance of the position to be filled within an organization. Interviews can be conducted by a single individual or by a panel of interviewers who are generally trained for the purpose. The training helps interviewers to be more objective and not get carried away by biases and errors of various kinds. References and medical evaluations are common aspects of the selection process of many employers these days.

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## 2.20 Glossary

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- **Job:** A job is a collection of tasks that can be performed by a single employee to contribute to the production of some products or services provided by the organization.
- **Job Analysis:** It is the process of gathering and analyzing information about the content and the human requirements of jobs, as well as, the context in which jobs are performed.
- **Job Description:** It is a formal account of an employee's responsibilities.
- **Job Design:** It refers to the specification of contents, methods and relationship of jobs in order to satisfy technological and organizational requirements as well as the social and personal requirements of the job holder.

- **Human Resource Planning:** It tries to assess human resource requirements in advance keeping the production schedules, market fluctuations, demand forecasts, etc., in the background.
- **Skills Inventories:** Summaries of the skills and abilities of non-managerial employees used in forecasting supply.
- **Succession Planning:** An executive inventory report showing which individuals are ready to move into higher positions in the company.
- **Outplacement:** The process of helping unwanted present employees finds new jobs with other firms.
- **Job Analysis:** A systematic exploration of the activities surrounding – and within – a job.
- **Human Resource Information System:** A computerized system that helps in the processing of HRM information.
- **Transfer:** A lateral movement within the same grade, from one job to another.
- **Promotion:** Movement of an employee from a lower level position to a higher level position with increase in salary.
- **Executive Search:** Hiring search firm/head-hunter to track candidates.
- **Campus Recruiting:** Visiting specific-skill institutes to hire graduates.
- **Media Advertising:** Inviting applications by placing ads in media.
- **Employee Leasing:** Hiring permanent employees of another company on lease basis for a specific period as per the leasing arrangement.
- **Application Blank:** It is a printed form completed by job aspirants detailing their educational background, previous work history and certain personal data.
- **Reliability:** The ability of a selection tool to measure an attribute consistently.
- **Validity:** The relationship between scores on a selection tool and a relevant criterion such as job performance.
- **Realistic Job Preview:** It is a process of providing a job applicant with an accurate picture of the job.

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## 2.21 Review Questions

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1. What do you mean by the concept of job analysis?
2. Discuss the concept of job description.
3. What do you mean by term job specification?
4. Explain the relevance of job design.

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5. What does job analysis need? What is its process?
6. Discuss the techniques of job analysis.
7. Explain the idea behind having a job description.
8. What does job specification information include?
9. What is job design and why is it needed?
10. What do you mean by the term Human resource planning?
11. Describe the meaning, objectives and importance of HRP.
12. Describe the HRP process.
13. Discuss the forecasting human resource requirement.
14. Outline the steps involved in the Human Resource Planning process.
15. Why is HR Planning more common among large organizations than among small ones? What are the advantages of HR planning for large organizations?
16. Define HRP. Describe its characteristics and objectives. Explain the reasons for the growing interest in HRP in recent years.
17. Assume you have to develop an HR plan for a new-generation private sector bank having branches in major towns in India. What specific external factors would be important for you to consider? Why?
18. How can organizations develop accurate HR plans which, in turn, are impacted by a number of environmental factors over which managers have little or no control?
19. What do you mean by the term Recruiting?
20. Describe the sources and methods of recruitment.
21. What are the recruitment policies and procedures commonly followed in organizations?
22. Discuss what key recruiting issues should be looked into by HR executives at a mid-sized bank with locations in several cities. Give examples and be specific.
23. What should be considered in evaluating the recruiting efforts of a big departmental store with over 20 branches in key metropolitan cities all over a country?
24. How would you help a firm that wants to improve its campus hiring efforts?
25. What background information should a recruiter have before beginning to recruit job seekers?
26. If you were responsible for hiring someone for your job, which recruitment sources would you use? Why? Which recruitment sources would you avoid? Why?
27. What do you mean by the term Selection?
28. Describe the sources and methods of Selection.
29. Discuss the different types of tests and interviews in selection process.
30. What do you mean by the concept of validation?

31. What is an application blank? What is its role and importance in selecting management trainees in a large public sector undertaking?
32. What is testing in selection? Explain its validity and reliability in the selection process. What types of tests do you adopt for selecting mechanical engineers in a large tool making industry?
33. What is an interview? Explain its validity and reliability. What are the different types of employment interviews?
34. List the advantages and disadvantages of making it compulsory for all new employees to have a complete medical examination.
35. As jobs become more team oriented, assessment centres will be used more often for management jobs. Do you agree or disagree?
36. Contrast an unstructured interview with a behavioural interview.
37. What are the major problems of an interview as a selection device? What can management do to reduce some of these problems?

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## **2.22 Further Readings**

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- Aswathappa K., *Human Resource and Personnel Management*, Fifth edition, Tata McGraw Hill
- Rao V.S.P., *Human Resource Management, Text and Cases*, Second edition, Excel Books
- Ivansevich., *Human Resource Management*, Tenth edition, Tata McGraw Hill
- Dessler., *Human Resource Management*, Tenth edition, Prentice Hall
- Bernardi., *Human Resource Management*, Fourth edition, Tata McGraw Hill

# Human Resource Development

## (Structure)

- 3.1 Learning Objectives
- 3.2 Introduction
- 3.3 Meaning of HRD
- 3.4 Theory of HRD
- 3.5 Features of Human Resource Development
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- 3.18 The Challenges in Performance Management
- 3.19 Need Analysis for Training
- 3.20 Types of Training
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- 3.23 Management Development: Nature and Purpose
- 3.24 Steps in the Organization of an Executive Development Programme
- 3.25 Self Development and Knowledge Management

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### **3.1 Learning Objectives**

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After studying the chapter, students will be able to:

- Define HRD;
- Explain the concept of HRD;
- State the benefits and features of HRD;
- Differentiate between HRM and HRD;
- Understand the meaning and objectives of performance evaluation;
- Discuss the steps involved in the performance evaluation;
- Describe various methods of performance evaluation;
- Know the major problems of performance evaluation;
- Understand the need of training;
- Know the training methods and purpose of training;
- Define management development and its nature;
- Understand the self development and knowledge management techniques.

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### **3.2 Introduction**

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Development of human resources is essential for any organization that would like to be dynamic and growth-oriented. Unlike other resources, human resources have rather unlimited potential capabilities. The potential can be used only by creating a climate that can continuously identify, bring to surface, nurture and use the capabilities of people. Human Resource Development (HRD) system aims at creating such a climate. A number of HRD techniques have been developed in recent years to perform the above task based on certain principles. This unit provides an understanding of the concept of HRD system, related mechanisms and the changing boundaries of HRD.

HRD concept was first introduced by Leonard Nadler in 1969 in a conference in the US. “He defined HRD as those learning experience which are organized, for a specific time, and designed to bring about the possibility of behavioural change”.

After an employee is selected for a job, is trained to do it and has worked on it for a period of time, his performance should be evaluated. Performance Evaluation is

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the process of deciding how employees do their jobs. Performance here refers to the degree of accomplishment of the tasks that make up an individual's job. It indicates how well an individual is fulfilling the job requirements. Often the term is confused with effort, which means energy expended and used in a wrong sense. Performance is always measured in terms of results. A bank employee, for example, may exert a great deal of effort while preparing for the CAIIB examination but manages to get a poor grade. In this case the effort expended is high but performance is low.

After employees are selected for various positions in an organization, training them for the specific tasks to which they have been assigned assumes great importance. It is true in many organizations that before an employee is fitted into a harmonious working relationship with other employees, he is given adequate training. Training is the act of increasing the knowledge and skills of an employee for performing a particular job. The major outcome of training is learning.

Management development is the process in which managers/executives acquire not only skills and competencies in their present jobs but also capabilities for future managerial tasks of increasing difficulties and scope. To be useful and productive, managers need to develop their capabilities at frequent intervals.

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### 3.3 Meaning of HRD

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Human Resource Development (HRD) is the framework, for helping employees develop their personal and organizational skills, knowledge, and abilities. Human Resource Development includes such opportunities as employee training, employee career development, performance management and development, coaching, mentoring, succession planning, key employee identification, tuition assistance, and organization development.

The focus of all aspects of Human Resource Development is on developing the most superior workforce so that the organization and individual employees can accomplish their work goals in service to customers.

Human Resource Development can be formal such as in classroom training, a college course, or an organizational planned change effort. Or, Human Resource Development can be informal as in employee coaching by a manager. Healthy organizations believe in Human Resource Development and cover all of these bases.

HRD (Human Resource Development) has been defined by various scholars in various ways. Some of the important definitions of HRD (Human Resource Development) are as follows:

According to **Leonard Nadler**, "Human resource development is a series of organized activities, conducted within a specialized time and designed to produce behavioural changes."



In the words of **Prof. T.V. Rao**, “HRD is a process by which the employees of an organization are helped in a continuous and planned way to (i) acquire or sharpen capabilities required to perform various functions associated with their present or expected future roles; (ii) develop their journal capabilities as individual and discover and exploit their own inner potential for their own and/or organizational development purposes; (iii) develop an organizational culture in which superior-subordinate relationship, team work and collaboration among sub-units are strong and contribute to the professional well being, motivation and pride of employees.” .

According to **M.M. Khan**, “Human resource development is the process of increasing knowledge, capabilities and positive work attitudes of all people working at all levels in a business undertaking.”

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### **3.4 Theory of HRD**

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When the field of management science and organizational behaviour was in its infancy, the HRD function was envisaged as a department whose sole role was to look after payroll and wage negotiation. This was in the era of the assembly line and manufacturing where the purpose of HRD function was to check the attendance of the employees, process their pay and benefits and act as a mediator in disputes between the management and the workers. Concomitant with the rise of the services sector and the proliferation of technology and financial services companies, the role of the HRD function changed correspondingly.

For instance, the RBV or the Resource Based View of organizations was conceptualized to place the HRD function as a department that would leverage the human resources from the perspective of them being sources of strategic advantage.

The shift in the way the human resources were viewed as yet another factor of production to being viewed as sources of competitive advantage and the chief determinant of profits was mainly due to the changing perceptions of the workforce being central to the organization’s strategy. For instance, many software and tech companies as well as other companies in the service sector routinely identify their employees as the chief assets and something that can give them competitive advantage over their rivals. Hence, the HRD function in these sectors has evolved from basic duties and is now looked upon as a critical support function.

With the advent of globalization and the opening up of the economies of several nations, there was again a shift in the way the HRD function was conceptualized. In line with the RBV and the view of the resources as being international and ethnically diverse, the HRD function was thought of to be the bridge between the different employees in multiple locations and the management. Further, the present conceptualization also means that employees have to be not only motivated but also empowered and enabled to help them actualize their potential. The point, here, is that no longer were employees

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being treated like any other asset. On the contrary, they were the centre of attraction and attention in the changed paradigm. This called for the HRD function to be envisaged as fulfilling a role that was aimed at enabling and empowering employees instead of being just mediators and negotiators.

Finally, the theory of HRD also morphed with the times and in recent years, there has been a perceptible shift in the way the HRD function has come to encompass the gamut of activities ranging from routine tasks like hiring and training and payroll to actually being the function that plays a critical and crucial role in the employee development. The theory has also transformed the function from being bystanders to the organizational processes to one where the HRD function is the layer between management and employees to ensure that the decisions made at the top are communicated to the employees and the feedback from the employees is likewise communicated to the top.

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### **3.5 Features of Human Resource Development**

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The essential features of human resource development are as follows:

- Human resource development is a process in which employees of organizations are recognized as its human resource. It believes that human resource is the most valuable asset of an organization.
- It stresses on development of human resources of the organization. It helps the employees of the organization to develop their general capabilities in relation to their present jobs and expected future role.
- It emphasizes the development and best utilization of the capabilities of individuals in the interest of the employees and the organization.
- It helps in establishing/developing better inter-personal relations. It stresses on developing relationship based on help, trust and confidence.
- It promotes team spirit among employees.
- It tries to develop competencies at the organizational level. It stresses on providing healthy climate for development in the organization.
- HRD is a system. It has several sub-systems. All these sub-systems are inter-related and interwoven. It stresses on collaboration among all the sub-systems.
- It aims to develop an organizational culture in which good senior-subordinate relations, motivation, quality and sense of belonging exist.
- It tries to develop competence at individual, inter-personal, group and organizational level to meet organizational goal.
- It is an inter-disciplinary concept. It is based on the concepts, ideas and principles of sociology, psychology, economics, etc.
- It forms an employee welfare and quality of work life. It tries to examine/identify employee needs and meeting them to the best possible extent.

- It is a continuous and systematic learning process. Development is a lifelong process, which never ends.

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### **3.6 Benefits of Human Resource Development**

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Human resource development nowadays is considered as the key to higher productivity, better relations and greater profitability for any organization. Appropriate HRD provides unlimited benefits to the concerned organization. Some of the important benefits are as follows:

- HRD makes people more competent. HRD develops new skill, knowledge and attitude of the people in the concern organizations.
- With appropriate HRD programme, people become more committed to their jobs. People are assessed on the basis of their performance by having an acceptable performance appraisal system.
- An environment of trust and respect can be created with the help of human resource development.
- Acceptability towards change can be created with the help of HRD. Employees found themselves better equipped with problem-solving capabilities.
- It improves the all round growth of the employees. HRD also improves team spirit in the organization. They become more open in their behaviour. Thus, new values can be generated.
- It also helps to create the efficiency culture in the organization. It leads to greater organizational effectiveness. Resources are properly utilized and goals are achieved in a better way.
- It improves the participation of worker in the organization. This improves the role of worker and workers feel a sense of pride and achievement while performing their jobs.
- It also helps to collect useful and objective data on employees' programmes and policies which further facilitate better human resource planning.
- Hence, it can be concluded that HRD provides a lot of benefits in every organization. So, the importance of concept of HRD should be recognized and given a place of eminence, to face the present and future challenges in the organization.

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### **3.7 HRD Functions**

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HRD is needed by any organization that wants to be dynamic and growth-oriented or to succeed in a fast-changing environment. Organizations can become dynamic and grow only through the efforts and competencies of their human resources. Personnel policies can keep the morale and motivation of employees high, but these efforts are

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not enough to make the organization dynamic and take it in new directions. Employee capabilities must continuously be acquired, sharpened, and used. For this purpose, an “enabling” organizational culture is essential. When employees use their initiative, take risks, experiment, innovate, and make things happen, the organization may be said to have an “enabling” culture.

Even an organization that has reached its limit of growth needs to adapt to the changing environment. No organization is immune to the need for processes that help to acquire and increase its capabilities for stability and renewal.

The core of the concept of HRM is the development of human beings, or HRD. The concept of development should cover not only the individual but also other units in the organization. In addition to develop the individual, attention needs to be given to the development of stronger dyads, i.e., two-person groups of the employee and his boss. Such dyads are the basic units of working in the organization. Besides several groups like committees, task groups, etc. also require attention. Such groups should be developed in order to increase collaboration amongst people working in the organization. This would facilitate effective decision-making. Finally, the entire department and the entire organization also should be covered by development. Their development would involve developing a climate conducive for their effectiveness, developing self-renewing mechanisms in the organizations so that they are able to adjust and pro-act, and develop relevant processes which contribute to their effectiveness.

Hence, the goals of the HRD systems are to develop:

1. The capabilities of each employee as an individual.
2. The capabilities of each individual in relation to his or her present role.
3. The capabilities of each employee in relation to his or her expected future role(s).
4. The dyadic relationship between each employee and his or her supervisor.
5. The team spirit and functioning in every organizational unit (department, group, etc.).
6. Collaboration among different units of the organization.
7. The organization’s overall health and self-renewing capabilities which, in turn, increase the enabling capabilities of individuals, dyads, teams, and the entire organization.

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### **3.8 Difference between HRD and HRM**

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Both are very important concepts of management specifically related with human resources of organization. Human resource management and human resource development can be differentiated on the following grounds:

- The human resource management is mainly maintenance oriented whereas human resource development is development oriented.

- Organizational structure in case of human resources management is independent whereas human resource development creates a structure, which is inter-dependent and inter-related.
- Human resource management mainly aims to improve the efficiency of the employees whereas HRD aims at the development of the employees as well as organization as a whole.
- Responsibility of human resource development is given to the personnel/ human resource management department and specifically to personnel manager whereas responsibility of HRD is given to all managers at various levels of the organization.
- HRM motivates the employees by giving them monetary incentives or rewards whereas human resource development stresses on motivating people by satisfying higher-order needs.

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### 3.9 HRD Process and Methods

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The core values of any organization rest on respecting ‘individual worth’, integrity and beneficence that eventually help us to aim towards building responsible and sustainable partnerships within the organization (among the employees and the management) and outside (with external stakeholders- community, donors, other civil society organization and the government).

This value system governs the organizational ethos and is evident in our HR Development process mentioned below:

1. **Recruitment:** Every organization has an elaborate process of Recruitment and Selection. The procedure includes various psycho and socio-metric tests in order to ascertain the individual’s ability to work in a team and with the community.
2. **Induction Programme:** In view of tremendous growth of the organization and its programmes, organizations have evolved their induction processes intermittently. The main foci remain to assimilate the newly acquired professionals into the organizational community and to impart qualities that will help them to accommodate and work with the existing members.

Bearing this in mind the HRD cell should devise the induction programme in a manner that helps to the new recruits to adopt the field situations, and helps to integrate them into the organization and prepare them to work in teams.

3. **Performance Review:** Integrity is one of core values that should be inculcated in our work environment by means of assessing individual performance and giving the opportunity to each professional for self-evaluation as well creating a work ambience based on open learning, thereby, strengthening the feedback mechanisms within the organization.
4. **Training/Exposure:** Review of trainees that should be organized after some time, apart from being an evaluation exercise also aims at clarifying their vision and helps

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them chalk out plan for their knowledge, skills and competencies enhancement in consultation with the core group of the organization.

Another main strategy that helps in assessing the training needs of various teams is the Project Review Meetings (PRMs) that is held on quarterly basis that provides a platform for each team to present the progress of their respective projects. Each team is assisted by the house to plan strategically and discuss interventions that could be taken up. PRMs are also important occasions for learning from each other, identifying expertise available in different teams for the benefit of the organization.

5. **Retreats:** Annual Retreats should be organized to encourage introspection and to share their feelings with colleagues. The participants should be encouraged to speak about their personal and professional growth. Besides, retreats are also crucial to foster bonding among employees across locations.

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### 3.10 Definition and Meaning of Performance Evaluation

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Performance evaluation is a method of evaluating the behaviour of employees in the workspot, normally including both quantitative and qualitative aspects of job performance. It is a systematic and objective way of evaluating both work-related behaviour and potential of employees. It is a process that involves determining and communicating to an employee how he or she is performing the job and ideally, establishing a plan of improvement. It involves:

- **Identification:** Means determining what areas of work the manager should be examining while measuring performance – essentially focusing on performance that affects organizational success.
- **Measurement:** It entails making managerial judgements of how good or bad employee performance was.
- **Management:** Evaluation should be more than a post-mortem examination of past events, criticising or praising workers for their performance in the preceding year. Instead, it must take a future oriented view of what workers can do to realize their potential.

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### 3.11 Features of Performance

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The main characteristics of performance evaluation are following:

- It is a *systematic process* involving three steps:
  - Setting work standards.
  - Assessing employee's actual performance relative to these standards.
  - Offering feedback to the employee so that he can eliminate deficiencies and improve performance in course of time.
- It tries to find out how well the employee is performing the job and tries to establish a plan for further improvement.

- The evaluation is carried out periodically, according to a definite plan. It is certainly *not a one shot deal*.
- Performance evaluation is *not a past-oriented activity*, with the intention of putting poor performers in a spot. Rather, it is a future oriented activity showing employees where things have gone wrong, how to set everything in order, and deliver results using their potential in a proper way.
- Performance evaluation is *not job evaluation*. Performance evaluation refers to how well someone is doing an assigned job. Job evaluation, on the other hand, determines how much a job is worth to the organization and therefore, what range of pay should be assigned to the job.
- Performance evaluation is *not limited to 'calling the fouls'*. Its focus is on employee development. It forces managers to become coaches rather than judges. The evaluation process provides an opportunity to identify issues for discussion, eliminate any potential problem, and set new goals for achieving high performance.
- Performance evaluation may be *formal or informal*. The informal evaluation is more likely to be subjective and influenced by personal factors. Some employees are liked better than others and have, for that reason only, better chances of receiving various kinds of rewards than others. The formal system is likely to be more fair and objective, since it is carried out in a systematic manner, using printed evaluation forms.

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### 3.12 Objectives of Performance Evaluation

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Performance evaluation could be taken either for evaluating the performance of employees or for developing them. The evaluation is of two types: telling the employee where he stands and using the data for personnel decisions concerning pay, promotions, etc. The developmental objectives focus on finding individual and organizational strengths and weaknesses; developing healthy superior-subordinate relations; and offering appropriate counselling/coaching to the employee with a view to develop his potential in future.

Evaluation of employees serves several useful purposes:

- **Compensation Decisions:** It can serve as a basis for pay hike. Managers need performance evaluation to identify employees who are performing at or above expected levels. This approach to compensation is at the heart of the idea that hike in pay should be given for merit rather than for seniority. Under merit systems, employee receives the hike based on performance.
- **Promotion Decisions:** It can serve as a useful basis for job change or promotion. When merit is the basis for reward, the person doing the best job receives the promotion. If relevant work aspects are measured properly, it helps in minimizing feelings of frustration of those who are not promoted.

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- **Training and Development Programmes:** It can serve as a guide for formulating a suitable training and development programme. Performance evaluation can inform employees about their progress and tell them what skills they need to develop to become eligible for pay advancement or promotions or both.
- **Feedback:** Performance evaluation enables the employee to know how well he is doing on the job. It tells him what he can do to improve his present performance and go up the 'organizational ladder'.
- **Personal Development:** Performance evaluation can help reveal the causes of good and poor employee performance. Through discussions with individual employees, a line manager can find out why they perform as they do and what steps can be initiated to improve their performance.

Following are the benefits of performance evaluation:

- Employer perspective [Administrative uses]
  - Despite imperfect measurement techniques, individual differences in performance can make a difference to company performance.
  - Documentation of performance evaluation and feedback may be required for legal defence.
  - Evaluation offers a rational basis for constructing a bonus or merit system.
  - Evaluation dimensions and standards can help to implement strategic goals and clarify performance expectations.
- Employee perspective [Developmental purposes]
  - Individual feedback helps people to rectify their mistakes and get ahead, focusing more on their unique strengths.
  - Assessment and reorganization of performance levels can motivate employees to improve their performance.

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### 3.13 Performance Evaluation Process

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

1. **Establish Performance Standards:** Evaluation systems require performance standards, which serve as benchmarks against which performance is measured. To be useful, standards should relate to the desired results of each job.

Criteria for Identifying and Writing Good Performance Goals:

- (i) What is the task to be accomplished?
  - (ii) What will it look like when it is accomplished?
  - (iii) When must it be completed?
  - (iv) What are the cost considerations?
2. **Communicate the Standards:** Performance evaluation involves at least two parties; the appraiser who does the evaluation and the appraisee whose performance is being



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evaluated. Both are expected to do certain things. The appraiser should prepare job descriptions clearly; help the appraisee set his goals and targets; analyze results objectively; offer coaching and guidance to the appraisee whenever required and reward good results. The appraisee should be very clear about what he is doing and why he is doing it. For this purpose, performance standards must be communicated to appraisees and their reactions should be noted down right away. If necessary, these standards must be revised or modified. As pointed out by De Cenzo and Robbins, “too many jobs have vague performance standards and the problem is compounded when these standards are set in isolation and do not involve the employee”.

- 3. Measure Actual Performance:** After the performance standards are set and accepted, the next step is to measure actual performance. This requires the use of dependable performance measures and the ratings used to evaluate performance. Performance measures, to be helpful, must be easy to use, reliable, and report on the critical behaviours that determine performance. Four common sources of information which are generally used by managers regarding how to measure actual performance are personal observation, statistical reports, oral reports and written reports.

Performance measures may be objective or subjective. Objective performance measures are indications of job performance that can be verified by others and are usually quantitative. Objective criteria include quality of production, degree of training needed and accidents in a given period, absenteeism, length of service, etc. Subjective performance measures are ratings that are based on the personal standards or opinions of those doing the evaluation, and are not verifiable by others. Subjective criteria include ratings by superiors, (knowledge about) overall goals, and (contribution to) socio-cultural values of the environment. It should be noted here that objective criteria can be laid down while evaluating lower level jobs which are specific and defined clearly. This is not the case with middle level positions that are complex and vague.

The rater’s monitoring of an operator’s calls is direct observation. The actual on-line performance is evaluated directly. For example, if a written test is held for telephone operators about company rules and regulations for handling emergency calls, international calls, etc., the process of evaluation becomes indirect as it is based on a written report about the performance of operators in the test.

- 4. Compare Actual Performance with Standards and Discuss the Evaluation:** Actual performance may be better than expected and sometimes it may go off the track. Whatever be the consequences, there is a way to communicate and discuss the final outcome. The assessment of another person’s contribution and ability is not an easy task. It has serious emotional overtones as it affects the self-esteem of the appraisee. Any evaluation based on subjective criteria is likely to be questioned

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by the appraisee and leave him quite dejected and unhappy when the evaluation turns out to be negative.

5. **Taking Corrective Action, if Necessary:** Corrective action is of two types: one puts out the fires immediately, while the other destroys the root of the problem permanently. Immediate action sets things right and gets things back on track whereas the basic corrective action gets to the source of deviations and seeks to adjust the difference permanently. Basic corrective steps seek to find out how and why performance deviates.

### 3.14 Methods of Performance Evaluation

The performance evaluation methods may be classified into three categories, as shown in Figure 3.1:

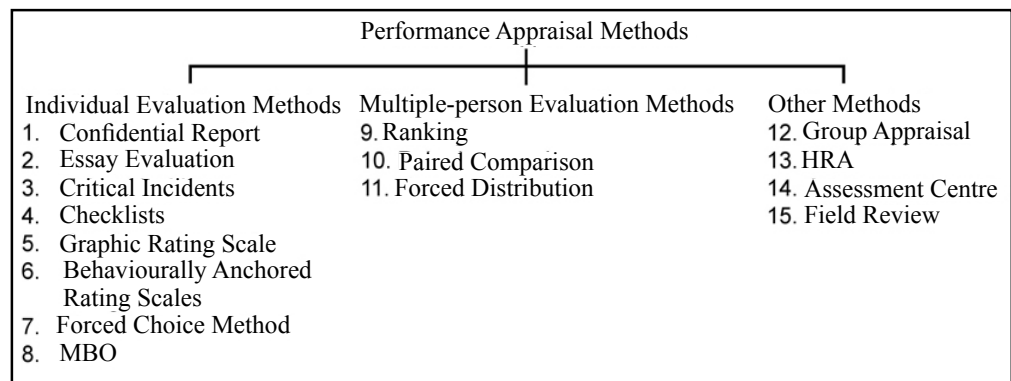


Fig. 3.1: Performance Evaluation Methods

#### Individual Evaluation Methods

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

1. **Confidential Report:** It is mostly used in government organizations. It is a descriptive report prepared, generally at the end of every year, by the employee's immediate superior. The report highlights the strengths and weaknesses of the subordinate. The report is not data-based. The impressions of the superior about the subordinate are merely recorded there. It does not offer any feedback to the appraisee. The appraisee is not very sure about why his ratings have fallen despite his best efforts, why others are rated high when compared to him, how to rectify his mistakes, if any; on what basis he is going to be evaluated next year, etc. Since the report is generally not made public and hence no feedback is available, the subjective analysis of the superior is likely to be hotly contested. In recent years, due to pressure from courts and trade unions, the details of a negative confidential report are given to the appraisee.

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2. **Essay Evaluation:** Under this method, the rater is asked to express the strong as well as the weak points of the employee's behaviour. This technique is normally used with a combination of the graphic rating scale because the rater can elaborately present the scale by substantiating an explanation for his rating. While preparing the essay on the employee, the rater considers the following factors: (i) Job knowledge and potential of the employee; (ii) Employee's understanding of the company's programmes, policies, objectives, etc.; (iii) The employee's relations with co-workers and superiors; (iv) The employee's general planning, organizing and controlling ability; (v) The attitudes and perceptions of the employee, in general.

Essay evaluation is a non-quantitative technique. This method is advantageous in at least one sense, i.e., the essay provides a good deal of information about the employee and also reveals more about the evaluator. The essay evaluation method however, suffers from the following limitations:

- (i) It is highly subjective; the supervisor may write a biased essay. The employees who are sycophants will be evaluated more favourably than other employees.
- (ii) Some evaluators may be poor in writing essays on employee performance. Others may be superficial in explanation and use flowery language which may not reflect the actual performance of the employee. It is very difficult to find effective writers nowadays.
- (iii) The appraiser is required to find time to prepare the essay. A busy appraiser may write the essay hurriedly without properly assessing the actual performance of the worker. On the other hand, appraiser takes a long time; this becomes uneconomical from the view point of the firm, because the time of the evaluator (supervisor) is costly.

3. **Critical Incident Technique:** Under this method, the manager prepares lists of statements of every effective and ineffective behaviour of an employee. These critical incidents or events represent the outstanding or poor behaviour of employees on the job. The manager maintains logs on each employee, whereby he periodically records critical incidents of the workers' behaviour. At the end of the rating period, these recorded critical incidents are used in the evaluation of the workers' performance. An example of a good critical incident of a sales assistant is the following:

July 20 – The sales clerk patiently attended to the customer's complaint. He is polite, prompt, and enthusiastic in solving the customer's problem.

On the other hand, the bad critical incident may appear as under:

- (i) July 20 – The sales assistant stayed 45 minutes over on his break during the busiest part of the day. He failed to answer the store manager's call thrice. He is lazy, negligent, stubborn and not interested in work.

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(ii) This method provides an objective basis for conducting a thorough discussion of an employee's performance. This method avoids recently bias (most recent incidents get too much emphasis). This method suffers, however, from the following limitations:

- (a) Negative incidents may be more noticeable than positive incidents.
- (b) The supervisors have a tendency to unload a series of complaints about incidents during an annual performance review session.
- (c) It results in very close supervision which may not be liked by the employee.
- (d) The recording of incidents may be a chore for the manager concerned, who may be too busy or forget to do it.

Most frequently, the critical incidents method is applied to evaluate the performance of superiors.

4. **Checklists and Weighted Checklists:** Another simple type of individual evaluation method is the checklist. A checklist represents, in its simplest form, a set of objectives or descriptive statements about the employee and his behaviour. If the rater believes strongly that the employee possesses a particular listed trait, he checks the item; otherwise, he leaves the item blank. A more recent variation of the checklist method is the weighted list. Under this, the value of each question may be weighted equally or certain questions may be weighted more heavily than others. The following are some of the sample questions in the checklist:

- (i) Is the employee really interested in the task assigned? Yes/No
- (ii) Is he respected by his colleagues (co-workers) Yes/No
- (iii) Does he respect his superiors? Yes/No
- (iv) Does he follow instructions properly? Yes/No
- (v) Does he make mistakes frequently? Yes/No

A rating score from the checklist helps the manager in evaluation of the performance of the employee. The checklist method has a serious limitation. The rater may be biased in distinguishing the positive and negative questions. He may assign biased weights to the questions. Another limitation could be that this method is expensive and time consuming. Finally, it becomes difficult for the manager to assemble, analyze and weigh a number of statements about the employee's characteristics, contributions and behaviours.

5. **Graphic Rating Scale:** Under this method, a printed form, as shown below, is used to evaluate the performance of an employee. A variety of traits may be used in these types of rating devices, the most common being the quantity and quality of work. The rating scales can also be adapted by including traits that the company considers important for effectiveness on the job.

**Example of Graphic Rating Scale**

Performance factor	Performance rating				
Job knowledge is information pertinent to the job that an individual should have for satisfactory job performance.	<input type="checkbox"/> Poorly informed about work duties	<input type="checkbox"/> Occasionally unsatisfactory	<input type="checkbox"/> Can answer most questions about the job	<input type="checkbox"/> Understands all phases of the job	<input type="checkbox"/> Has complete mastery of all phases of the job
Dependability in the following directions and company policies without supervision.	<input type="checkbox"/> Required constant supervision	<input type="checkbox"/> Requires occasional follow-up	<input type="checkbox"/> Usually can be counted on	<input type="checkbox"/> Requires very little supervision	<input type="checkbox"/> Requires absolute minimum of supervision

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Source: www.yourarticlelibrary.com

From the graphic rating scales, excerpts can be obtained about the performance standards of employees. For instance, if the employee has serious gaps in technical-professional knowledge (knows only rudimentary phases of job); lacks the knowledge to bring about an increase in productivity; is reluctant to make decisions on his own (or even when he makes decisions they are unreliable and substandard); declines to accept responsibility; fails to plan ahead effectively; wastes and misuses resources; etc., then it can safely be inferred that the standards of performance of the employee are dismal and disappointing.

The rating scale is the most common method of evaluation of an employee's performance today. One positive point in favour of the rating scale is that it is easy to understand, easy to use and permits a statistical tabulation of scores of employees. When ratings are objective in nature, they can be effectively used as evaluators. The graphic rating scale may, however, suffer from a long standing disadvantage, i.e., it may be arbitrary and the rating may be subjective. Another pitfall is that each characteristic is equally important in evaluation of the employee's performance and so on.

- 6. Behaviourally Anchored Rating Scales:** Also known as the behavioural expectations scale, this method represents the latest innovation in performance evaluation. It is a combination of the rating scale and critical incident techniques of employee performance evaluation. The critical incidents serve as anchor statements on a scale and the rating form usually contains six to eight specifically defined performance dimensions. Figure 3.2 represents a BARS scale for a college professor.

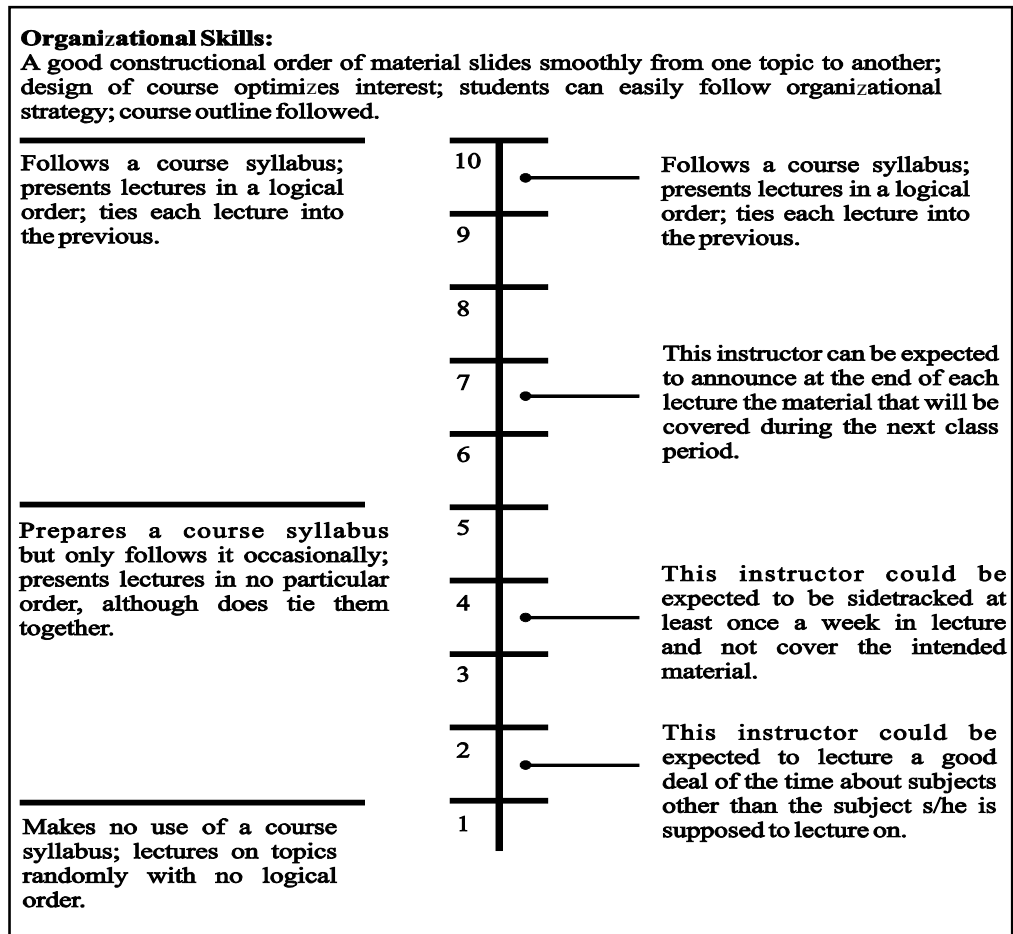
How to construct BARS? Developing a BARS follows a general format which combines techniques employed in the critical incident method and weighed checklist

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rating scales. Emphasis is pinpointed on pooling the thinking of people who will use the scales as both evaluators and evaluatees. The development of BARS includes following steps:

*Step I:* Collect critical incidents: People with knowledge of the job to be probed, such as job holders and supervisors, describe specific examples of effective and ineffective behaviour related to job performance.

*Step II:* Identify performance dimensions: The people assigned the task of developing the instrument, cluster the incidents into a small set of key performance dimensions. Generally, between five and ten dimensions, account for most of the performance. Examples of performance dimensions include technical competence, relationships with customers, handling of paperwork and meeting day-to-day deadlines. While developing varying levels of performance for each dimension (anchors), specific examples of behaviour should be used, that could later be scaled in terms of good, average or below average performance.



Source: Adapted from H. John Bernardin and Richard W. Beatty, *Performance Evaluation: Assessing Human Behaviour at Work* (Boston: Kent Publishing Company, 1984).

Fig. 3.2: A Sample Behaviourally Anchored Rating Scale for a College Professor

*Step III:* Reclassification of incidents: Another group of participants knowledgeable about the job is instructed to retranslate or to reclassify the critical incidents generated (in Step II) previously. They are given the definition of job dimension and are told to assign each critical incident to the dimension that it best describes. At this stage, incidents for which there is lower than 75 per cent agreement are discarded as being too subjective.

*Step IV:* Assigning scale values to the incidents: Each incident is then rated on a one-to-seven or one-to-nine scale with respect of how well it represents performance on the appropriate dimension. A rating of one represents ineffective performance; the top scale value indicates very effective performance. The second group of participants usually assigns the scale values. Means and standard deviations are then calculated for the scale values assigned to each incident. Typically, incidents that have standard deviations of 1.50 or less (on a 7-point scale) are retained.

*Step V:* Producing the final instrument: About six or seven incidents for each performance dimension – all having met both retranslating and standard deviation criteria, will be used as behavioural anchors. The final BARS instrument consists of a series of vertical scales (one for each dimension) anchored (or measured) by the final incidents. Each incident is positioned on the scale according to its mean value. Because the above process typically requires considerable employee participation, its acceptance by both supervisors and their subordinates may be greater. Proponents of BARS also claim that such a system differentiates among behaviour, performance and results and consequently is able to provide a basis for setting developmental goals for the employee. Because it is job-specific and identifies observable and measurable behaviour, it is a more reliable and valid method for performance evaluation.

Researchers, after surveying several studies on BARS, concluded that “despite the intuitive appeal of BARS, findings from research have not been encouraging”. It has not proved to be superior to other methods in overcoming rater errors or in achieving psychometric soundness. A specific deficiency is that the behaviours used are activity-oriented rather than result-oriented. This creates a potential problem for supervisors doing the evaluation, who may be forced to deal with employees who are performing the activity but not accomplishing the desired goals. Further, it is time consuming and expensive to create BARS. They also demand several evaluation forms to accommodate different types of jobs in an organization. In a college, lecturers, office clerks, library staff, technical staff and gardening staff all have different jobs; separate BARS forms would need to be developed for each. In view of the lack of compelling evidence demonstrating the superiority of BARS over traditional techniques such as graphic rating scales, Dacoits concluded that: “It may be time to quit hedging about the efficacy of behavioural scaling strategies and conclude that this method has no clear-cut advantages over more traditional and easier methods of performance evaluation”.

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7. **Forced Choice Method:** This method was developed to eliminate bias and the preponderance of high ratings that might occur in some organizations. The primary purpose of the forced choice method is to correct the tendency of a rater to give consistently high or low ratings to all the employees. This method makes use of several sets of pair phrases, two of which may be positive and two negative and the rater is asked to indicate which of the four phrases is the most and the least descriptive of a particular worker. Actually, the statement items are grounded in such a way that the rater cannot easily judge, which statements apply to the most effective employee. The box in the next page is a classic illustration of the forced choice items in the organizations:

The favourable qualities earn a plus credit and the unfavourable ones earn the reverse. The worker gets an overall plus rating, when the positive factors override the negative ones or when one of the negative phrases is checked as being insignificantly rated.

The overall objectivity is increased by using this method in evaluation of employee’s performance, because the rater does not know how high or low he is evaluating the individual as he has no access to the scoring key. This method, however, has a strong limitation. In the preparation of sets of phrases trained technicians are needed and as such the method becomes very expensive. Further, managers may feel frustrated rating the employees ‘in the dark’. Finally, the results of the forced choice method may not be useful for training employees because the rater himself does not know how he is evaluating the worker. In spite of these limitations, the forced choice technique is quite popular.

<b>Forced Choice Performance Evaluation Form</b>	<b>Employee:</b> _____ <b>Department:</b> _____				
	<b>Supervisor:</b> _____ <b>Date:</b> _____				
<b>Performance Factors</b>	<b>Performance Rating</b>				
	<b>Low</b>	<b>Below Average</b>	<b>Average</b>	<b>Above Average</b>	<b>High</b>
<b>Understands department functions</b>	Poorly informed about department functions	Has fair knowledge of the department functions	Can answer most questions about the department	Understands all phases of the department.	Has complete mastery of all phases of the department.
<b>Follows directions and company policy without supervision</b>	Requires constant supervision	Requires occasional follow-up	Can usually be counted on	Requires very little supervision	Requires absolute minimum supervision
<b>Accuracy, skill, completeness, and quality of work performed</b>	Seldom meets the requirements and is almost always unsatisfactory	Work is often unsatisfactory and often does not meet requirements	Work is consistently satisfactory and usually meets requirements	Work is sometimes superior and rarely contains mistakes	Work is consistently superior and never contains mistakes

Source: www.hotelmule.com



8. **Management by Objectives (MBO):** MBO requires the management to set specific, measurable goals with each employee and then periodically discuss the latter's progress towards these goals. This technique emphasizes participatively set goals (that are agreed upon by the superior and the employee) that are tangible, verifiable and measurable. MBO focuses attention on what must be accomplished (goals) rather than how it is to be accomplished. It is, thus, a kind of goal setting and evaluation programme involving six steps:

- (i) *Set the Organization's Goals:* Establish an organization wide plan for next year and set company goals.
- (ii) *Set Departmental Goals:* Departmental heads at this stage take the broader company goals (such as improving profits by 20 per cent, increasing market share by 10 per cent, etc.) and, with their superiors, jointly set goals for their departments.
- (iii) *Discuss Departmental Goals:* The departmental goals are now put to discussion in a departmental meeting with subordinates. The departmental heads would require the subordinates to set their own preliminary individual goals, focusing mostly on what they can do to achieve the department's goals.
- (iv) *Define Expected Results:* In the next step, the departmental heads and their subordinates agree on a set of short term, and individual performance targets set in a participatory manner.
- (v) *Performance Reviews:* Departmental heads compare each employee's actual and targeted performance, either periodically or annually. While periodic review is intended to identify and solve specific performance problems, the annual review is conducted to assess and reward one's overall contribution to the organization. Because employees are evaluated on their performance results, MBO is often called a result-based performance evaluation system.
- (vi) *Provide Feedback:* Both parties now discuss and evaluate the actual progress made in achieving goals, where things have gone off the track, how best to rectify the mistakes made in the past, and how the employee could meet the targets next time, focusing attention on his strengths.

However, setting clearly measurable goals is not an easy task. MBO demands a great deal of time to set verifiable goals at all levels of an organization. In the race to define everything rigidly, some of the qualitative aspects might be ignored (such as employees' attitudes, job satisfaction etc.). Often the superior may set goals at a frustratingly high level, whereas the subordinate may wish to have it at a comfortable level. At times, the short-term goals may take precedence over long term goal. The only way to overcome these problems is to allow managers at all levels to explain, coordinate and guide the programme in a persuasive, democratic way. The jointly set targets must be fair and attainable. Both superiors

and subordinates must be taught how to set realistic goals and be familiarized with the results for which they are finally held responsible.

## Notes

### Multiple-person Evaluation Techniques

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

**1. Ranking Method:** This is a relatively easy method of performance evaluation. Under this method, the ranking of an employee in a work group is done against that of another employee. The relative position of each employee is expressed in terms of his numerical rank. It may also be done by ranking a person on his job performance against another member of the competitive group. The quintessence of this method is that employees are ranked according to their relative levels of performance. While using this method, the evaluator is asked to rate employees from highest to lowest on some overall criterion. Though it is relatively easy to rank the best and the worst employees, it is very difficult to rank the average employees. Generally, evaluators pick the top and bottom employees first and then select the next highest and next lowest and move towards the average (middle) employees. The long standing limitations of this method are:

- (i) The ‘whole man’ is compared with another ‘whole man’ in this method. In practice, it is very difficult to compare individuals possessing varied behavioural traits.
- (ii) This method speaks only of the position where an employee stands in his group. It does not tell anything about how much better or how much worse an employee is when compared to another employee.
- (iii) When a large number of employees are working, ranking of individuals becomes a vexing issue.
- (iv) There is no systematic procedure for ranking individuals in the organization. The ranking system does not eliminate the possibility of snap judgements.

In order to overcome the above limitations, a paired comparison technique has been advanced by organizational scholars.

**2. Paired Comparison Method:** Ranking becomes more reliable and easier under the paired comparison method. Each worker is compared with all other employees in the group; for every trait, the worker is compared with all other employees. For instance, when there are five employees to be compared, A’s performance is compared with that of B’s and decision is arrived at as to whose is better or worse. Next, B is also compared with all others. Since A is already compared with B, this time B is to be compared with only C, D and E. By this method, when there are five employees, fifteen decisions are made (comparisons). The number of decisions to be made can

be determined with the help of the formulae  $n(n-2)$ . Ranking the employees by the paired comparison method may be illustrated as shown in the Table 3.1.

For several individual traits, paired comparisons are made, tabulated and then rank is assigned to each worker. Though, this method seems to be logical, it is not applicable when a group is large. When the group becomes too large, the number of comparisons to be made may become frighteningly excessive. For instance, when  $n=100$ , comparisons to be made are  $100(100 - 2) = 100(98) = 9800$ .

Trait: 'Quantity of work'

**Table 3.1: Employee Rated**

As compared to	A	B	C	D	E
A		+	-	+	-
B	-		+	-	+
C	+	-		+	-
D	-	+	-		-
E	+	-	+	+	

3. **Forced Distribution Method:** Under this system, the rater is asked to appraise the employee according to a predetermined distribution scale. The rater's bias is sought to be eliminated here because workers are not placed at a higher or lower end of the scale. Normally, the two criteria used here for rating are job performance and promotional ability. Further, a five-point performance scale is used without any mention of descriptive statements. Workers are placed between the two extremes of 'good' and 'bad' performances. For instance, the workers of outstanding merit may be placed at the top 10% of the scale. The rest may be placed as – 20% — good, 40% —outstanding, 20% —fair and 10% —poor. To be specific, the forced distribution method assumes that all top grade workers should go to the highest 10% grade; 20% employees should go to the next highest grade and so on.

Apart from job performance as the criterion, another equally important factor in this method is promotional ability. Employees may be classified according to their promotional merits. The scale for this purpose may consist of three points, viz., quite likely promotional material, may/may not be promotional material and quite unlikely promotional material.

One strong positive point in favour of the forced distribution method is that by forcing the distribution according to predetermined percentages, the problem of making use of different raters with different scales is avoided. Further, this method is appreciated on the ground that it tends to eliminate rater bias. The limitation of using this method in salary administration however, is that it may result in low morale, low productivity and high absenteeism. Employees who feel that they are productive, but find themselves placed in a grade lower than expected feel frustrated and exhibit, over a period of time, reluctance to work.

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**Other Methods**

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

1. **Group Evaluation:** In this method, an employee is appraised by a group of appraisers. This group consists of the immediate supervisor of the employee, other supervisors who have close contact with the employee's work, manager or head of the department and consultants. The head of the department or manager may be the Chairman of the group and the immediate supervisor may act as the Coordinator for the group activities. This group uses any one of multiple techniques discussed earlier. The immediate supervisor enlightens other members about the job characteristics, demands, standards of performance, etc. Then the group appraises the performance of the employee, compares the actual performance with standards, finds out the deviations, discusses the reasons therefore, suggests ways for improvement of performance, prepares an action plan, studies the need for change in the job analysis and standards and recommends changes, if necessary.

This method eliminates 'personal bias' to a large extent, as performance is evaluated by multiple raters. But it is a very time consuming process.

2. **Human Resource Accounting:** HRA is a sophisticated way to measure (in financial terms) the effectiveness of personnel management activities and the use of people in an organization. It is the process of accounting for people as an organizational resource. It tries to place a value on organizational human resources as assets and not as expenses. The HRA process shows the investment the organization makes in its people and how the value of these people changes over time. The acquisition cost of employees is compared to the replacement cost from time to time. The value of employees is increased by investments made by the company to improve the quality of its human resources such as training, development, and skills acquired by employees over a period of time through experience, etc. When qualified, competent people leave an organization, the value of human assets goes down. In this method, employee performance is evaluated in terms of costs and contributions of employees. Human resource costs include expenditure incurred by the company in hiring, training, compensating and developing people. The contribution of human resources is the money value of labour productivity. The cost of human resources may be taken as the standard. Employee performance can be measured in terms of employee contribution to the organization. Employee performance can be taken as positive when contribution is more than the cost and performance can be viewed as negative if cost is more than contribution. Positive performance can be measured in terms of percentage of excess of employee contribution over the cost of employee. Similarly negative performance can be calculated in terms of percentage of deficit in employee contribution compared to the cost of employee. These percentages can be ranked to 'Zero Level' as shown in the Table 3.2.

Table 3.2: 'Zero Level'

Rank	Rating	Percentage of surplus/Deficit of contribution to cost of employee
1.	Extremely good performance	Over 200
2.	Good performance	150 – 200
3.	Slightly good performance	100 – 150
4.	Neither poor nor good	0 – 100
5.	Slightly poor performance	0
6.	Poor performance	0 to (– 50)
7.	Extremely poor performance	(–50) to (–100)

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This technique has not developed fully and is still in the transitional stage.

3. **Assessment Centre:** This method of appraising was first applied in German Army in 1930. Later business and industrial houses started using this method. This is not a technique of performance evaluation by itself. In fact it is a system or organization, where assessment of several individuals is done by various experts using various techniques. These techniques include the methods discussed before in addition to in-basket, role playing, case studies, simulation exercises, structured in sight, transactional analysis, etc.

In this approach, individuals from various departments are brought together to spend two or three days working on individual or group assignments similar to the ones they would be handling when promoted. Observers rank the performance of each and every participant in order of merit. Since assessment centres are basically meant for evaluating the potential of candidates to be considered for promotion, training or development, they offer an excellent means for conducting evaluation processes in an objective way. All assesses get an equal opportunity to show their talents and capabilities and secure promotion based on merit. Since evaluators know the position requirements intimately and are trained to perform the evaluation process in an objective manner, the performance ratings may find favour with a majority of the employees. A considerable amount of research evidence is available to support the contention that people chosen by this method prove better than those chosen by other methods. The centre enables individuals working in low status departments to compete with people from well-known departments and enlarge their promotion chances. Such opportunities, when created on a regular basis, will go a long way in improving the morale of promising candidates working in 'less important' positions.

4. **Field Review Method:** Where subjective performance measures are used, there is a scope for rater's biases influencing the evaluation process. To avoid this, some employees use the field review method. In this method, a trained, skilled representative of the HR department goes into the 'field' and assists line supervisors

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with their ratings of their respective subordinates. The HR specialist requests from the immediate supervisor specific information about the employee’s performance. Based on this information, the expert prepares a report which is sent to the supervisor for review, changes, approval and discussion with the employee who is being rated. The ratings are done on standardized forms.

Since an expert is handling the evaluation process, in consultation with the supervisor, the ratings are more reliable. However, the use of HR experts makes this approach costly and impractical for many organizations.

**360-Degree Feedback System**

A 360-degree feedback, system collects performance information from multiple parties, including one’s subordinates peers, supervisor and customers. Corporates like GE, Reliance, Crompton Greaves, Wipro, Infosys, Thermax, NTPC, Thomas Cook, SBI, Aditya Birla Group, Mafatlal Group, etc., are all using this tool to discover home truths about their managers. Although originally developed (by TV Rao and others in mid-eighties at IIM, Ahmedabad) as a fact-finding and self-correction technique, the 360-degree feedback is also currently used to design promotion and reward. A major advantage of this system is that the feedback comes from multiple sources. If a manager has six subordinates, he does not know which subordinate said what, as the results are summarized and averaged. For example, one may criticize the boss for standing too close to people, another may comment on the boss’s aggressive tone, the third may take objection to the boss’ naughty ways of attending telephone calls and shuffling papers while a meeting is on. Since such feedback is offered anonymously, the subordinates may unburden themselves of negative ratings somewhat freely.

**Table 3.3: Merits and Demerits of 360-degree Technique**

Merits	Demerits
Evaluates methods applied to achieve targets.	Ignores performance in terms of reaching goals.
Reveals strengths and weaknesses in management style.	Colleague's responses tend to be biased.
Forces inflexible managers to initiate self-change.	Assessees deny the truth of negative feedback.
Creates an atmosphere of teamwork and improvement.	The system can be used to humiliate people.
Unearths truths about organizational culture and ambience.	Linking findings to rewards can prove to be unfair.

In actual practice, the 360-degree system can be a very sensitive issue. The system may fail to deliver results, if it is not designed and implemented properly.

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### 3.15 Evaluation Interview and Feedback

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The post evaluation interview is an essential part of the performance evaluation system. The employee gets useful feedback information about how effectively and efficiently he is able to discharge the assigned duties. It also gives the opportunity to the employee to explain his views about the ratings, standards, rating methods, internal and external causes for low level of performance. The appraiser gets a chance to explain the employee his rating, the traits and behaviours he has taken into account for evaluation, etc. He can utilize this opportunity to offer constructive suggestions, and help, guide and coach the employee for his advancement. The post evaluation interview helps both parties to review standards, and set new standards based on the experience gained. It, thus, serves to meet the following objectives:

- To let employees know where they stand;
- To help employees do a better job by clarifying what is expected from them;
- To plan opportunities for development and growth;
- To strengthen the superior-subordinate working relationship by developing a mutual agreement of goals;
- To provide an opportunity for employees to express themselves on performance-related issues.

#### ***Feedback Defined***

The term 'workplace feedback' implies two things; (a) Job performance – whether 'x' is capably performing specific tasks that have been assigned (b) work-related behaviour – the way 'x' performs his tasks, whether 'x' speaks politely to customers and works cooperatively with other team members. The appraiser and the appraisee need to follow certain things while giving and receiving feedback. These are discussed below: (Pareek, pp.127-146).

1. ***Adequate Preparation:*** The evaluation process should be a continuous one. Informal sessions could be held every now and then to put the employee on track. Formal meetings could take place on a fortnightly, monthly or quarterly basis depending on the progress shown by the employee from time to time. When ratees are rated on various jobs, the meetings could be held more frequently to clarify doubts. For holding performance-related discussions, the rater and the ratee could select a location where they can relax and exchange notes with ease. Such one-to-one meetings must be conducted in an atmosphere of mutual trust, understanding and friendship. The hierarchical boundaries should be ignored and positional arrogance should be forgotten.
2. ***Describe Behaviour:*** The rater should give detailed feedback to the employee. This involves questions such as

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- (i) What happened?
- (ii) Where and when did it occur?
- (iii) Who was involved?
- (iv) How did it affect others?

**Statements such as:** “The ad copy you wrote just didn’t click. Try to put a little more energy into your sales presentations”, “I just don’t like the way you displayed the items”; do not help the employee because there is no information based on which he can make changes in his actions. Detailed feedback should be specific and accurate. It must give answers to the questions just mentioned above. In the presentation example, an improved way of giving feedback could be: “your presentation is full of ideas but you don’t seem to be excited when you were suggesting them; (what he has been doing) your voice is very soft and rate of speaking is low. Our surveys show that your audience thinks you sound bored with your topic. (Perhaps a small digression here could define where and when and who his listeners are) Could you make the points more clear to the audience by means of concrete examples and interesting anecdotes (redirect energies in a right way?)”. While describing behaviour, certain precautions need to be observed:

**(i) Acts, not attitudes:**

- (a) Never attack personality, educational background, physique, etc.  
Do not comment on employee’s attitudes.
- (b) The right way: you were late twice last week.
- (c) The wrong way: you just don’t care about coming in on time.

**(ii) Future oriented:** Do not dwell on the past; focus on the future, review the past, observe the current performance and use both to improve employee performance in future.

**(iii) Goal-oriented:** Each one of us walk along our own path. There may be hurdles on the way. We may overstep and go off the rails. We may obstruct others from realizing their goals. But if all of us focus on overall goals and move like teammates, the effort will not go waste.

**(iv) Listen to the recipient:** The reactions of the feedback recipient should never be ignored. The appraiser should give feedback when the appraisee is ready to accept it. This, of course, depends on the appraiser’s relationship with the recipient and the recipient’s capacity to receive feedback.

**(v) Descriptive, not evaluative:** The feedback should not be judgemental. It should be descriptive and allow the recipient to think and take appropriate action. Consider the statements, which reflect this spirit:

- (a) Your remark made me ‘angry’
- (b) In the last 10 minutes, you repeated the same statement 4 times.



**On the other hand, evaluative feedback in the form of statements:** “Your behaviour is not proper, you suffer from inferiority complex, you should be bold enough to say no” will not help the recipient.

**(vi) Data-based feedback:**

- (a) Effective feedback gives specific information about where the recipient has gone wrong and gives him data in the form of observations, feelings and other things which his behaviour has evoked.

Wrong way: ‘Do not interrupt’.

**(vii) Right way:** You interrupted A, B, C without allowing them to complete their points of view.

- (a) *Suggestive:* The supervisor may offer constructive suggestions aimed at improving the behaviour of the recipient. These should however, be in the form of various alternatives open to the recipient for improving his own ways of doing things. The supervisor should not prescribe actions – what exactly the recipient should do – because that only makes the employee (i) depend on the former for advice and guidance, (ii) ineffective since he is not involved in the decision taken.

- (b) *Reinforcement:* Effective feedback should help a person decide about which style of behaviour he should continue to use. To this end, the supervisor should identify job behaviours and performance of the employee that help achieve goals and encourage the employee to repeat such behaviours and grow gradually.

**(viii) Continuous:** Feedback should not be an annual ritual carried out in a mechanical way. It should be a continuous, ongoing process of reinforcing right behaviours and checking wrong ways of doing things (Poertner and Miller).

- (a) *Need-based and Solicited:* Feedback would be effective if the recipient genuinely wants to take it and mends those of his behaviours that are not in tune with job requirements. It should be such that the recipient could think about it and do something to improve his behavioural responses. For example, feedback given to a person on his stammering may not help because it would only reinforce his negative self-image and he cannot do anything about his stammering in the normal course.

**3. Proper Timing:** Feedback should be well-timed. It should be given immediately after the event has taken place. For example the statement, ‘Three weeks ago, I passed you in the corridor; you didn’t say hello’ – does not serve the purpose as the recipient has no interest to reflect on the event unless the consequences are negative. Timing also means that the recipient of the feedback should be in a position to receive feedback and use it.

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4. **Help Both Parties:** To be effective, feedback should satisfy the needs of the rater as well as the ratee. The rater may want to help, to influence and to establish a better relationship. To this end, he must move closer to the ratee, understand his problems and suggest remedial steps in a friendly tone. The ratee on his part should listen to the feedback information given by the rater carefully. There is no use overreacting to feedback. When the ratee is praised for showing promise and talent, he should not take it for granted that he does no wrong. A negative comment of the rater likewise, should not influence the ratee's behaviour too badly. The ratee should keep all feedback in perspective and learn from all such information without writing off inappropriate feedback as rude and obnoxious. The ratee should remain calm and cordial throughout the feedback session. He should not be afraid to ask questions. To this end, he must:

- (i) Ask for details, especially when he/she is bombarded with inappropriate feedback.
- (ii) State clearly what he heard from the feedback to make sure that his/her interpretation matches the intention of the appraiser.
- (iii) Seek suggestions for future action. The purpose of feedback is to share information that will help him/her plan the future. Always ask the appraiser to help develop a plan for changing your future actions.
- (iv) Remember to thank the person giving the feedback. Saying 'thanks' demonstrates that your behaviour always remains professional and sets a positive tone for your next interaction.

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### 3.16 Problems in Performance Evaluation

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The problems inherent in performance evaluation may be listed thus:

1. **Judgement Errors:** People commit mistakes while evaluating people and their performance. Biases and judgement errors of various kinds may spoil the show. Bias here refers to distortion of a measurement. These are of various types:

- (i) **First Impressions (primacy effect):** The appraiser's first impression of a candidate may colour his evaluation of all subsequent behaviour. In the case of negative primacy effect, the employee may seem to do nothing right; in the case of a positive primacy effect, the employee can do no wrong (Harris, p.192).
- (ii) **Halo:** The Halo error occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions. If a worker has few absences, his supervisor might give the worker a high rating in all other areas of work. Similarly, an employee might be rated high on performance simply because he has a good dress sense and comes to office punctually!

- (iii) **Horn Effect:** The rater's bias is in the other direction, where one negative quality of the employee is being rated harshly. For example, the ratee rarely smiles, so he cannot get along with people!
  - (iv) **Leniency:** Depending on rater's own mental make-up at the time of evaluation, raters may rate very strictly or very leniently. Appraisers generally find evaluating others difficult, especially where negative ratings have to be given. A professor might hesitate to fail a candidate when all other students have cleared the examination. The leniency error can render an evaluation system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among employees.
  - (v) **Central Tendency:** An alternative to the leniency effect is the central tendency, which occurs when appraisers rate all employees as average performers. For example, a professor, with a view to play it safe, might give a class grades nearly equal to B, regardless of the differences in individual performance.
  - (vi) **Stereotyping:** Stereotyping is a mental picture that an individual holds about a person because of that person's sex, age, religion, caste, etc. By generalizing behaviour on the basis of such blurred images, the rater grossly overestimates or underestimates a person's performance. For example, employees from rural areas might be rated poorly by raters having a sophisticated urban background, if they view rural background negatively.
  - (vii) **Recency Effect:** In this case, the rater gives greater weightage to recent occurrences than earlier performance. For example, an excellent performance that may be six or seven months old is conveniently forgotten while giving a poor rating to an employee's performance which is not so good in recent weeks. Alternatively, the evaluation process may suffer due to a 'spillover effect' which takes place when past performance influences present ratings.
2. **Poor Evaluation Forms:** The evaluation process might also be influenced by the following factors relating to the forms that are used by the raters:
- (i) The rating scale may be quite vague and unclear.
  - (ii) The rating form may ignore important aspects of job performance.
  - (iii) The rating form may contain additional, irrelevant performance dimensions.
  - (iv) The forms may be too long and complex.
3. **Lack of Rater Preparedness:** The raters may not be adequately trained to carry out performance management activities. This becomes a serious limitation when the technical competence of a ratee is going to be evaluated by a rater who has limited functional specialization in that area. The raters may not have sufficient time to carry out evaluations systematically and conduct thorough feedback sessions. Sometimes the raters may not be competent to do the evaluations owing to a poor self-image

and lack of self-confidence. They may also get confused when the objectives of evaluation are somewhat vague and unclear.

4. **Ineffective Organizational Policies and Practices:** If the sincere evaluation effort put in by a rater is not suitably rewarded, the motivation to do the job thoroughly finishes off. Sometimes, low ratings given by raters are viewed negatively by management – as a sign of failure on the part of rater or as an indication of employee discontent. So, most employees receive satisfactory ratings, despite poor performance. Normally, the rater's immediate supervisor must approve the ratings. However, in actual practice, this does not happen. As a result, the rater 'goes off the hook' and causes considerable damage to the rating process.

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### 3.17 Essential Characteristics of an Effective Evaluation System

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Performance evaluation system should be effective as a number of crucial decisions are made on the basis of score or rating given by the appraiser, which in turn, is heavily based on the evaluation system. An evaluation system, to be effective, should possess the following essential characteristics:

- **Reliability and Validity:** Evaluation system should provide consistent, reliable and valid information and data, which can be used to defend the organization even in legal challenges. If two appraisers are equally qualified and competent to appraise an employee with the help of the same evaluation technique, their ratings should agree with each other. The technique used by them, should demonstrably satisfies the conditions of inter-rater reliability. Evaluations must also satisfy the condition of validity, by measuring what they are supposed to measure. For example, if evaluation is made for potential of an employee for promotion, it should supply the information and data relating to potentialities of the employee to take up higher responsibilities and carry on activities at higher level.
- **Job Relatedness:** The evaluation technique should measure the performance and provide information in job related activities/areas.
- **Standardization:** Evaluation forms, procedures, administration of techniques, ratings, etc., should be standardized as evaluation decisions affect all employees of the group.
- **Practical Viability:** The techniques should be practically viable to administer, possible to implement and economical to undertake continuously.
- **Legal Sanction:** Evaluations must meet the laws of the land. They must comply with provisions of various statutes relating to labour.
- **Training to Appraisers:** Because evaluation is important and sometimes difficult, it would be useful to provide training to appraisers, viz., some insights and ideas on rating, documenting evaluations and conducting evaluation interviews.

Familiarity with rating errors can improve rater's performance and this may inject the needed confidence in appraisers to look into performance ratings more objectively.

- **Open Communication:** Most employees want to know how well they are performing the job. A good evaluation system provides the needed feedback on a continuing basis. The evaluation interviews should permit both parties to learn about the gaps and prepare themselves for future. To this end, managers should clearly explain their performance expectations to their subordinates in advance of the evaluation period. Once this is known, it becomes easy for employees to learn about the yardsticks and, if possible, try to improve their performance in future.
- **Employee Access to Results:** Employees should know the rules of the game. They should receive adequate feedback on their performance. If performance evaluations are meant for improving employee performance, withholding evaluation result would not serve any purpose. Employees simply cannot perform better without having access to this information. Permitting employees to review the results of their evaluation allows them to detect any errors that may have been made. If they disagree with the evaluation, they can even challenge the same through formal channels.
- **Due Process:** It follows then that formal procedures should be developed to enable employees who disagree with evaluation results (which are considered to be inaccurate or unfair). They must have the means for pursuing their grievances and having them addressed objectively.

Performance evaluation should be used primarily to develop employees as valuable resources. Only then it would show promising results. When management uses it as a whip or fails to understand its limitations, it fails. The key is not which form or which method is used (Mathis and Jackson).

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### 3.18 The Challenges in Performance Management

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In present day organizations, the twin principles of motivating employees are common at all levels: acknowledge unique contributions and alleviate personal concerns that impact professional performance. To get the best out of people, the CEOs should:

- Create a culture of excellence that motivates employees at all levels.
- Match organizational objectives with individual aspirations.
- Equip people with requisite skills to discharge their duties well.
- Clear growth paths for talented employees.
- Provide new challenges to rejuvenate flattening corners.
- Empower employees to take decisions without fear of failing.
- Encourage teamwork and team spirit and open communication.

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### 3.19 Need Analysis for Training

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

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

**Table 3.5: Data Sources used in Training Needs Assessment**

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

Customer survey/ satisfaction data		Diaries Devised situations (e.g., role play) Assessment centres MBO or work planning systems
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Source: M.L. Moore and P. Dutton, Training needs analysis: Review and Critique. *Academy of Management Review*, 3, 1978

- (iv) *Organizational Climate Analysis*: The climate of an organization speaks about the attitudes of members towards work, company policies, supervisors, etc. Absenteeism, turnover ratios generally reflect the prevailing employee attitudes. These can be used to find out whether training efforts have improved the overall climate within the company or not.
2. **Task or Role Analysis**: This is a detailed examination of a job, its components, its various operations and conditions under which it has to be performed. The focus here is on the roles played by an individual and the training needed to perform such roles. The whole exercise is meant to find out how the various tasks have to be performed and what kind of skills, knowledge, attitudes are needed to meet the job needs. Questionnaires, interviews, reports, tests, observation and other methods are generally used to collect job related information from time-to-time. After collecting the information, an appropriate training programme may be designed, paying attention to (i) performance standards required of employees, (ii) the tasks they have to discharge, (iii) the methods they will employ on the job and (iv) how they have learned such methods, etc.
3. **Person Analysis**: Here the focus is on the individual in a given job. There are three issues to be resolved through manpower analysis. First, we try to find out whether performance is satisfactory and training is required. Secondly, whether the employee is capable of being trained and the specific areas in which training is needed. Finally, we need to state whether poor performers (who can improve with requisite training inputs) on the job need to be replaced by those who can do the job. Other options to training such as modifications in the job or processes should also be looked into. Personal observation, performance reviews, supervisory reports and diagnostic tests help in collecting the required information and selecting particular training options that try to improve the performance of individual workers. See the box on the next page:

Whether the focus is on performance of the job as a whole or on particular aspects of the job, several approaches can be used to identify the training needs of individuals:

*Output Measures*: Performance data (e.g., productivity, accidents, customer complaints), as well as performance appraisal ratings, can provide evidence of performance deficiencies. Person needs analysis can also consist of work sample and job knowledge tests that measure performance capability and knowledge.

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*Self-Assessed Training Needs:* The self-assessment of training needs is growing in popularity. Here top managers require the employee and his or her supervisor to identify what the business needs are for the department and the business, as well as the skill needs and deficiencies of the individual. Self-assessment is premised on the assumption that employees, more than anyone else, are aware of their weaknesses and performance deficiencies. Therefore, they're in the best position to identify their own training needs.

*Attitude Surveys:* Attitude surveys completed by a supervisor's subordinates or by customers or by both also can provide information on training needs. For example, when one supervisor receives low scores regarding her or his fairness in treating subordinates, compared with other supervisors in the organization, the supervisor may need training in that area. Similarly, if the customers of a particular unit seem to be particularly dissatisfied compared with other customers, training may be needed in that unit. Thus, customer surveys can serve a dual role: providing information to management about service and pinpointing employee deficiencies.

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

**Table 3.6: Model Form for Conducting a 'Training Needs' Assessment**

<b>Conducting a Needs Assessment: A Model Form</b>	
Job _____	Title _____
_____	
Interviewer(s) _____	Date _____
_____	
<b>Part I: Background Information on Interviewee</b>	
Years on the Job _____ + _____	Years in the company _____
Educational/Technical Qualifications _____	
<b>Part II: Organizational Analysis</b>	
1. In your view, what are the purposes of training?	
2. Do you think the current training programmes in your firm serve the above purposes?	
3. What do you think would be the responses of your colleagues regarding training in your firm?	



4. Do you think trainees are motivated to attend training? Explain in detail.
5. Do you think employees in your firm offer any resistance to training? Please advance suggestions to minimize this resistance.
6. What positive consequences are associated with successful completion of training? (Like increased pay, recognition, greater promotional opportunities) Are there any negative consequences associated with training? (like loss of production, loss of status among co-workers)
7. Do you think it is difficult for trainees to apply the skills they learned in training once they return to the job? Why or why not?
8. For the training programmes you have attended, are you asked to provide your reactions to the programme? Are you given training tests before and after training to assess a change in your training? If so, describe the types of measures that are used to assess your reactions and learning.

**Part III: Task and Person Analysis**

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

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### 3.20 Types of Training

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

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

*Explain* how the training will help the trainees in their jobs.

- *Relate* the training to the trainees' goals.
- *Respect* and consider participant responses and use these as a resource.

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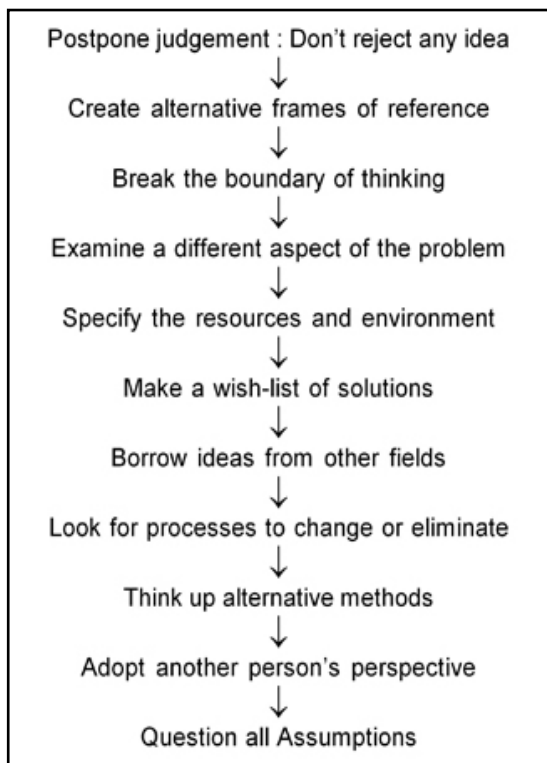
- Encourage trainees to learn by doing.
- Give feedback on progress towards meeting learning objectives.

**Refresher Training:** Rapid changes in technology may force companies to go in for this kind of training. By organizing short-term courses which incorporate the latest developments in a particular field, the company may keep its employees up-to-date and ready to take on emerging challenges. It is conducted at regular intervals by taking the help of outside consultants who specialize in a particular descriptive.

**Cross-functional Training:** Cross-functional Training involves training employees to perform operations in areas other than their assigned job. There are many approaches to cross-functional training. Job rotation can be used to provide a manager in one functional area with a broader perspective than he would otherwise have. Departments can exchange personnel for a certain period so that each employee understands how other departments are functioning. High performing workers can act as peer trainers and help employees develop skills in another area of operation. Cross-functional training provides the following benefits to an organization (and the workers as well)—(1) Workers gain rich experience in handling diverse jobs; they become more adaptable and versatile, (2) they can better engineer their own career paths (3) they not only know their job well but also understand how others are able to perform under a different set of constraints (4) A broader perspective increases workers' understanding of the business and reduces the need for supervision (5) when workers can fill in for other workers who are absent, it is easier to use flexible scheduling, which is increasingly in demand as more employees want to spend more time with their families. Eli Lilly and Company (India), for example, encourages cross-functional movements to make the organization equally attractive to both specialists and generalists.

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

**Creativity Training:** Companies like Mudra Communications, Titan Industries and Wipro encourage their employees to think unconventionally, break the rules, take risks, go out of the box and devise unexpected solutions.



**Fig. 3.3: How to be Creative**

In creativity training, trainers often focus on three things:

1. **Breaking Away:** In order to break away from restrictions, the trainee is expected to: (i) identify the dominant ideas influencing his own thinking, (ii) define the boundaries within which he is working, (iii) bring the assumptions out into the open and challenge everything.
2. **Generate New Ideas:** To generate new ideas, the trainee should open up his mind; look at the problem from all possible angles and list as many alternative approaches as possible. The trainee should allow his mind to wander over alternatives freely, expose himself to new influences (people, articles, books, situations), switch over from one perspective to another, arrange cross-fertilization of ideas with other people and use analogies to spark off ideas.
3. **Delaying Judgment:** To promote creative thinking, the trainee should not try to kill off ideas too quickly; they should be held back until he is able to generate as many ideas as possible. He should allow ideas to grow a little. *Brainstorming* (getting a large number of ideas from a group of people in a short time) often helps in generating as many ideas as possible without pausing to evaluate them. It helps in releasing ideas, overcoming inhibitions, cross-fertilizing ideas and getting away from patterned thinking.
  - (i) **Diversity Training:** Diversity training considers all of the diverse dimensions in the workplace, viz., race, gender, age, disabilities, lifestyles, culture,

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education, ideas and backgrounds while designing a training programme. It aims to create better cross-cultural sensitivity with the aim of fostering more harmonious and fruitful working relationships among a firm's employees. The programme covers two things: (i) awareness building, which helps employees appreciate the key benefits of diversity, and (ii) skill building, which offers the knowledge, skills and abilities required for working with people having varied backgrounds.

- (ii) **Literacy Training:** Inability to write, speak and work well with others could often come in the way of discharging duties, especially at the lower levels. Workers, in such situations, may fail to understand safety messages, appreciate the importance of sticking to rules, and commit avoidable mistakes. Functional illiteracy (low skill level in a particular content area) may be a serious impediment to a firm's productivity and competitiveness. Functional literacy programmes focus on the basic skills required to perform a job adequately and capitalize on most workers' motivation to get help in a particular area. Tutorial programmes, home assignments, reading and writing exercises, simple mathematical tests, etc., are generally used in all company in-house programmes meant to improve the literacy levels of employees with weak reading, writing or arithmetic skills.

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### 3.21 Methods of Training

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

#### **Job Instruction Training (JIT)**

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

- The trainee receives an overview of the job, its purpose and its desired outcomes, with a clear focus on the relevance of training.
- The trainer demonstrates the job in order to give the employee a model to copy. The trainer shows a right way to handle the job.
- Next, the employee is permitted to copy the trainer's way. Demonstrations by the trainer and practice by the trainee are repeated until the trainee masters the right way to handle the job.
- Finally, the employee does the job independently without supervision.

## Coaching

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

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

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

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

1. Explaining appropriate ways of doing things
2. Making clear why actions were taken
3. Stating observations accurately
4. Offering possible alternatives / suggestions
5. Following up.

## Mentoring

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

if management invests time and money in such relationship building exercises. The important features/processes of mentoring have been presented in Figure 3.4 given below

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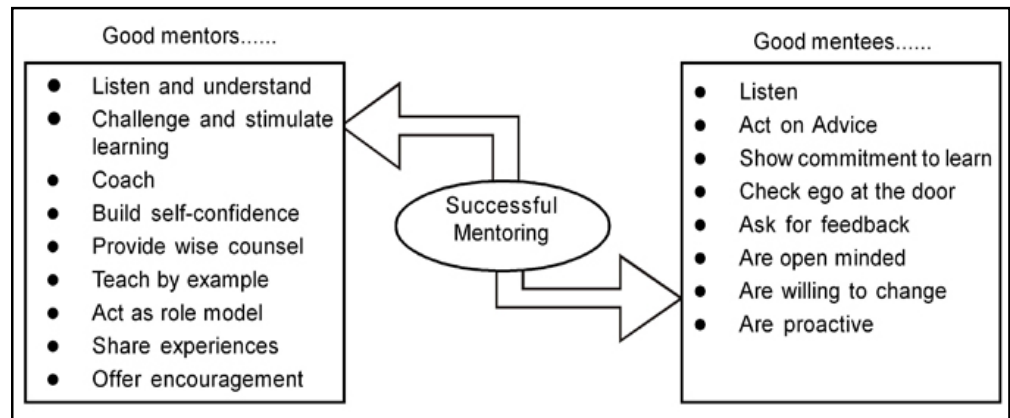


Fig. 3.4: Mentoring Functions

1. **Career Functions:** Career functions are those aspects of the relationship that enhance career advancement. These include:
  - (i) **Sponsorship:** Where mentors actively nominate a junior person (called ‘mentee’) for promotions or desirable positions.
  - (ii) **Exposure and visibility:** Where mentors offer opportunities for mentees to interact with senior executives, demonstrate their abilities and exploit their potential.
  - (iii) **Coaching:** Mentors help mentees to analyze how they are doing their work and to define or redefine their aspirations. Here mentors offer practical advice on how to accomplish objectives and gain recognition from others.
  - (iv) **Protection:** Mentors shield the junior person from harmful situations/seniors.
  - (v) **Challenging Assignments:** Mentors help mentees develop necessary competencies through challenging job assignments and appropriate feedback. Mentors create opportunities for their clients to prove their worth – to demonstrate clearly what they have to offer.
  
2. **Psychological Functions:** Psychological functions are those aspects that enhance the mentee’s sense of competence, and identify effectiveness in a professional role. These include:
  - (i) **Role Modelling:** Mentors offer mentees a pattern of values and behaviours to imitate.
  - (ii) **Acceptance and Confirmation:** Mentors offer support, guidance and encouragement to mentees so that they can solve problems independently and gain confidence in course of time. Mentors also help people to learn about organization’s culture and understand why things are done in certain ways.
  - (iii) **Counselling:** Mentors help mentees work out their personal problems, learn about what to do and what not to do, offer advice on what works and what

doesn't, and do everything to demonstrate improved performance and prepare themselves for greater responsibility.

- (iv) **Friendship:** Mentors offer practical help and support to mentees so that they can indulge in mutually satisfying social interactions (with peers, subordinates, bosses and customers)

Mentors who are dissatisfied with their jobs and those who teach narrow or distorted view of events may not help a protégé's development. Not all mentors are well prepared to transfer their skills and wisdom to their junior colleagues. When young people are bombarded with conflicting viewpoints about how things should go – from a series of advisors, they may find it difficult to get ahead with confidence. Mentoring can succeed if: (i) there is a genuine support and commitment from top management (ii) mentors take up their job seriously and transfer ideas, skills and experiences in a systematic way and (iii) mentees believe in the whole process and carry out things in an appropriate manner.

### **Job Rotation**

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

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

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### **Apprenticeship Training**

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

### **Committee Assignments**

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

The above on-the-job methods are cost effective. Workers actually produce while they learn. Since immediate feedback is available, they motivate trainees to observe and learn the right way of doing things. Very few problems arise in the case of transfer of training because the employees learn in the actual work environment where the skills that are learnt are actually used. On-the-job methods may cause disruptions in production schedules. Experienced workers cannot use the facilities that are used in training. Poor learners may damage machinery and equipment. Finally, if the trainer does not possess teaching skills, there is very little benefit to the trainee.

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### **3.22 Off-the-job Training Methods**

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



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

### **Training via Internet**

Training programmes delivered via intranet have now been thought of most cost effective route. It is not only cost effective but also caters to the real time information need of employees. However, it involves convergence of several technologies, like; hardware, software, web-designing and authoring, instructional design, multi-media design,

telecommunications and finally internet intranet network management. Organizations can outsource e-learning training modules at relatively cheap rate. Even though training through e-learning is globally increasing, we do not have adequate empirical evidence to justify this.

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### 3.23 Management Development: Nature and Purpose

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Managers are the indispensable resources, the priceless assets of an organization. They generate creative ideas, translate them into concrete action plans and produce results. When they succeed, they are able to keep everyone in good humour including shareholders, employees and the general public. They are hailed as '*invincible corporate heroes*' and even treated as prized possessions of a country. When they fail, they destroy the scarce corporate resources and make everyone cry. The outcomes of managerial actions, thus, are going to be deep, profound and decisive. To get ahead in the race especially in a complex, dynamic and ever-changing world, managers need to develop their capabilities that go beyond those required by the current job.

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

#### Features of Management Development

- It is a planned effort to improve executives' ability to handle a variety of assignments.
- It is not a one-shot deal, but a continuous, ongoing activity.
- It aims at improving the total personality of an executive.
- It aims at meeting future needs unlike training, which seeks to meet current needs.
- It is a long term process, as managers take time to acquire and improve their capabilities.
- It is proactive in nature as it focuses attention on the present as well as future requirements of both organization and individual.

#### Importance of Management Development

Executive Development has become indispensable to modern organizations in view of the following reasons:

- For any business, Executive Development is an invaluable investment in the long run. It helps managers to acquire Knowledge, Skills and Abilities (KSAs)

required grappling with complex changes in environment, technology and processes quite successfully. They can have a better grip over market forces and get ahead of others in the race in a confident manner.

- Developmental efforts help executives to realize their own career goals and aspirations in a planned way.
- Executives can show superior performance on the job. Handling varied jobs of increasing difficulty and scope, they become more useful, versatile and productive. The rich experience that they gain over a period of time would help them step into the shoes of their superiors easily.
- Executive Development programmes help managers to broaden their outlook, look into various problems dispassionately, examine the consequences carefully, appreciate how others would react to a particular solution and discharge their responsibilities taking a holistic view of the entire organization.
- The special courses, projects, committee assignments, job rotation and other exercises help managers to have a feel of how to discharge their duties without rubbing people (subordinates, peers, superiors, competitors, customers, etc.) the wrong way.

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### 3.24 Steps in the Organization of an Executive Development Programme

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The following are the important steps in the organization of a management development programme:

6. **Analysis of Organizational Development Needs:** After deciding to launch a management development programme, a close and critical examination of the present and future development needs of the organization has to be made. We should know how many and what type of managers are required to meet the present and future requirements.

A comparison of the already existing talents with those that are required to meet the projected needs will help the top management to take a policy decision as to whether it wishes to fill those positions from within the organization or from outside sources.

7. **Appraisal of Present Management Talents:** In order to make the above suggested comparison, a qualitative assessment of the existing executive talents should be made and an estimate of their potential for development should be added to that. Only then can it be compared with the projected required talents.
8. **Inventory of Management Manpower:** This is prepared to have a complete set of information about each executive in each position. For each member of the executive team, a card is prepared listing such data as name, age, length of service, education, work experience, health record, psychological test results and performance appraisal

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data, etc. The selection of individuals for a management development programme is made on the basis of the kind of background they possess.

Such information, when analyzed, discloses the strengths as well as weaknesses or deficiencies of managers in certain functions relating to the future needs of the organizations.

9. **Planning of Individual Development Programmes:** Guided by the results of the performance appraisal that indicates the strengths and weaknesses of each of the executives, this activity of planning of individual development programme can be performed.
10. **Establishment of Development Programmes:** It is the duty of the HR department to establish the developmental opportunities. The HR department has to identify the existing level of skills, knowledge, etc., of various executives and compare them with their respective job requirements. Thus, it identifies developmental needs and requirements and establishes specific development programmes, like leadership courses, management games, sensitivity training, etc.
11. **Evaluation of Results:** Executive development programmes consume a lot of time, money and effort. It is, therefore, essential to find out whether the programmes have been on track or not. Programme evaluation will cover the areas where changes need to be undertaken so that the participants would find the same to be relevant and useful for enriching their knowledge and experience in future. Opinion surveys, tests, interviews, observation of trainee reactions, rating of the various components of training, etc., could be used to evaluate executive development programmes.

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### 3.25 Self Development and Knowledge Management

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Executive development programmes help in acquiring and developing different types of managerial skills and knowledge. Different types of techniques are used to acquire and develop various types of managerial skills and knowledge. They are depicted in Table 3.4.

**Table 3.4: Methods of Developing Managers**

1. Decision-making skills	(a) In-basket (b) Business game (c) Case study
2. Interpersonal skills	(a) Role play (b) Sensitivity training (c) Behaviour Modelling
3. Job knowledge	(a) On-the-job experiences (b) Coaching (c) Understudy
4. Organizational knowledge	(a) Job rotation (b) Multiple management

5. General knowledge	(a) Special courses (b) Special meetings (c) Specific readings
6. Specific individual needs	(a) Special projects (b) Committee assignments

### Decision-making Skills

The main job of a manager is to make both strategic and routine decisions. His ability to take effective decisions can be enhanced by developing decision-making skills through various techniques, as explained below:

1. **In-basket:** In this method, the participant is given a number of business papers such as memoranda, reports and telephone messages that would typically cross a manager's desk. The papers, presented in no particular sequence, call for actions ranging from urgent to routine handling. The participant is required to act on the information contained in these papers. Assigning a priority to each particular matter is initially required.

If the trainee is asked to decide issues within a time-frame, it creates a healthy competition among participants. The method is simple and easy to follow. Trainees learn quickly as they have to list priorities, make assumptions, assign work to others and get things done within a time-frame. Since participants hail from various sections, it is easy to put out inter-departmental fires. On the negative side, the method is somewhat academic and removed from real life situations. The participants, knowing full well that they are handling an imaginary situation, may not be too excited about the whole exercise and may not fully commit themselves to the task.

2. **Case Study:** This is a training method that employs simulated business problems for trainees to solve. The individual is expected to study the information given in the case and make decisions based on the situation. If the student is provided a case involving an actual company, he is expected to research the firm to gain a better appreciation of its financial condition and corporate culture. Typically, the case method is used in the class room with an instructor who serves as a facilitator. Experienced trainers readily point out that the case study is most appropriate where:
  - (v) analytic, problem-solving and thinking skills are most important;
  - (vi) the KSAs are complex and participants need time to master them;
  - (vii) active participation is required;
  - (viii) the process of learning (questioning, interpreting etc.) is as important as the content and;
  - (ix) team problem solving and interaction are possible.

**Merits and Demerits of the Case Study Method**

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Merits	Demerits
Improves problem-solving skills of participants.	Good case studies do not originate easily. They are costly and time-consuming (collect data, analyze, report, summarize) exercises.
Trainees can apply theory to practical problems and learn quickly. It is a way of learning by doing.	Examining historical evidence may fail to develop the analytical and reasoning abilities of participants.
Trainees learn how others solve a situation in their own unique way. They get a feel of how others work at a problem and begin to appreciate each other's thinking.  Case studies can provide interesting debates among trainees, as well as excellent opportunities for individuals to defend their analytical and judgemental abilities.	Cases, sometimes, are not sufficiently realistic to be useful.  Cases may contain information inappropriate to the kinds of decisions that trainees would make in a real setting.
If the case reflects a real life situation, participants take keen interest and examine the cross-currents with an open and inquisitive mind.	Indiscriminate use of case studies may not help participants who are not mature enough to analyze and participate in discussions actively.
	A trainee who is not skilled in this technique can undermine its usefulness.
	The case study method has little or nothing in common with the trainee's workplace, which may limit its effectiveness.

The success of this method is closely linked to the maturity and experience of the trainer who should facilitate the group's learning, keep participants on track and help them see the underlying management concepts in the case clearly. Further, it is also necessary to come up with good case material based on real life situations and present the same before trainees in an interesting manner. When cases are meaningful and are similar to work related situations, trainees can certainly improve their decision-making skills and problem-solving abilities.

3. **Business Games:** Simulations that represent actual business situations are known as business games. These simulations attempt to duplicate selected factors in a specific situation, which are then manipulated by the participants. Business games involve two or more hypothetical organizations competing in a given product market.

The participants are assigned such roles as Managing Director, General Manager, Marketing Manager, etc. They make decisions affecting price levels, production volume and inventory levels. The results of their decisions are manipulated by a computer programme, with the results simulating those of an actual business situation. Participants are able to see how their decisions affect the other groups and vice versa.

**Merits and Demerits of the Business Game Method**

Merits	Demerits
Business games compress time; events that take painfully long time are made to occur in a matter of hours.	Difficult and expensive to develop and use good business games.
One can learn from mistakes, take a different course of action by looking at the consequences and improve performance.	They are often far removed from reality. In real life, an executive may get unlimited chances to find his way through the jungle, depending on his mental make-up (instead of choosing from an imaginative list of alternatives).
They promote increased understanding of complex relationships among organizational units.	Participants may become so engrossed in pushing others to the wall that they fail to grasp the underlying management principles being taught.
They help trainees develop their problem solving skills as well as to focus attention on planning rather than just putting out fires.	Creativity may take a back seat when unorthodox strategies advanced by innovative participants may not find acceptance from others in the race.
Prompt feedback facilitates quick learning.	

**Interpersonal Skills**

A manager can achieve results only when he is able to put individuals on the right track. He must interact with people actively and make them work unitedly. Managerial skills in the area of interpersonal relations can be enhanced through various techniques, viz., Role Play and Sensitivity Training.

- 1. Role Play:** This is a technique in which some problem – real or imaginary – involving human interaction is presented and then spontaneously acted out. Participants may assume the roles of specific organizational members in a given situation and then act out their roles. For example, a trainee might be asked to play the role of a supervisor who is required to discipline an employee smoking in the plant in violation of the rules. Another participant would assume the role of the employee. The individual playing the supervisory role would then proceed to take whatever action he deems appropriate. This action then provides the basis for discussion and comments by the groups.

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Role play develops interpersonal skills among participants. They learn by doing things. Immediate feedback helps them correct mistakes, change, switch gears hats and reorient their focus in a right way. The competitive atmosphere spurs them to participate actively, listen to what others say, observe and analyze behavioural responses and improve their own performance by putting their textual learning to test.

On the negative side, realism is sometimes lacking in role-playing, so the learning experience is diminished. It is not easy to duplicate the pressures and realities of actual decision-making on the job; and individuals, often act very differently in real-life situations than they do in acting out a simulated exercise. Many trainees are often uncomfortable in role-playing situations, and trainers must introduce the situations well so that learning can take place. To this end, trainers should:

- *ensure* that members of the group are comfortable with each other;
- *select* and prepare the role players by introducing a specific situation;
- *help* participants prepare; ask them to prepare potential characters;
- *realize* that volunteers make better role players;
- *prepare* observers by giving them specific tasks (e.g., evaluation, feedback);
- *guide* the role play enactment over its bumps (since it is not scripted);
- *keep* it short, and
- *discuss* the enactment and prepare bulleted points of what was learned.

2. ***Sensitivity Training:*** This is a method of changing behaviour through unstructured group interaction. Sensitivity training is sought to help individuals towards better relations with others. The primary focus is on reducing interpersonal friction.

In sensitivity training, the actual technique employed is T-group (T stands for training). It is a small group of ten to twelve people assisted by a professional behavioural scientist who acts as a catalyst and trainer for the group. There is no specified agenda. He merely creates the opportunity for group members to express their ideas and feelings freely. Since the trainer has no leadership role to play, the group must work out its own methods of proceeding. A leaderless and agendum-free group session is on. They can discuss anything they like. Individuals are allowed to focus on behaviour rather than on duties. As members engage in the dialogue, they are encouraged to learn about themselves as they interact with others.

### ***Features of T-Group Training***

- T-Group consists of 10-12 persons.
- A leader acts as a catalyst and provides a free and open environment for discussion.
- There is no specified agenda.



- Members express their ideas, feelings and thoughts freely and openly.
- The focus is on behaviour rather than on duties.
- The aim is to achieve behaviour effectiveness in transactions with one's environment.

**Benefit and Costs:** The benefits and costs of sensitivity training are as follows:

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Costs	Benefits
1. The programme of sensitivity training is considered to be a waste of time. Even participants who are themselves favourably impressed cannot point out the specific benefits and neither can their associates.	1. A majority of the trainees feel that the experience gained during training is uniquely valuable, as it develops the personality.
2. T-Group leaders are considered to be amateur headshrinkers; they are like children playing with fire.	2. Practically speaking, there is no real hazard for the emotionally healthy participants; and sick participants are not admitted to the training.
3. The T-Group experience is an immoral and unjustified invasion of privacy, based on false assumptions about the nature of human relationship at work.	3. Even hardheaded business managers have a softhearted appeal for sensitivity training because they acknowledge the positive value of the training. Many organizations have started paying impressive amounts for training.
4. The process of sensitivity training involves an emotional blood bath; emotional buffeting creates a frightening threat to an individual who is a trainee; it can shatter personal defences and damage future capabilities. Sessions of sensitivity training may – as happens quite often – result in suicide of the interests in the organization. It may take months, if not years, to repair the damage caused by sensitivity training.	4. Research on sensitivity training also strongly attests to the benefits of training to employees in an organization.
5. Sensitivity training has a tendency to result in undesirable behaviour of employees; for the trainee (who is immature) will find it easier to feel hostile without feeling guilty during training. The team work also gets adversely affected because of T-Group training.	5. Research on sensitivity training also reveals that participants have developed added realism and honesty in their relationships. Before-and-after tests indicate significant changes in attitudes and behaviour and in personal growth.

## Job Knowledge

In addition to decision-making skills and inter-personal skills, managers should also possess job knowledge to perform their jobs effectively. Trainees acquire job knowledge through on-the-job experience, coaching and understudy.

1. **On-the-job Experience:** On-the-job techniques are most widely used. No other technique may interest the trainee so much as the location of the learner is not an artificial one in the classroom techniques. The success of these techniques depends on the immediate supervisor and his teaching abilities. On-the-job techniques are especially useful for certain groups like scientific and technical personnel.

Though the costs of training initially appear to be low, they may turn out to be high when wastages of all kinds are considered under this type of training.

2. **Behaviour Modelling:** This is an approach that demonstrates desired behaviour, gives trainees the chance to practise and role-play those behaviours and receive feedback. The basic behaviour modelling involves the following steps:

- (i) **Learning Points:** At the beginning, the essential goals and objectives of the programme are stated. In some cases the learning points are a sequence of behaviours that are to be taught.

- (ii) **Modelling:** Trainees watch films or videotapes in which a model manager is portrayed dealing with an employee in an effort to improve his performance. The model shows specifically how to deal with the situation and demonstrates the learning points.

- (iii) **Role Playing:** Trainees participate in extensive rehearsal of the behaviours shown by the models.

- (iv) **Social Reinforcement:** The trainer offers reinforcement in the form of praise and constructive feedback based on how the trainee performs in the role-playing situation.

- (v) **Transfer of Learning:** Finally, trainees are encouraged to apply their new skills when they return to their jobs.

Behaviour modelling can be effective. Several controlled studies have demonstrated success in helping managers interact with employees, handle discipline, introduce change and increase productivity. This method of learning in isolation may prove to be inadequate, but in combination with other off-the-job techniques may prove to be useful.

3. **Coaching:** In coaching, the trainee is placed under a particular supervisor who acts as an instructor and teaches job knowledge and skills to the trainee. He tells him what he wants him to do, how it can be done and follows up while it is being done and corrects errors. The act of coaching can be done in several ways. The executive, apart from asking trainees to do the routine work, may ask them to tackle some complex problems by giving them a chance to participate in decision-making. For

effective coaching, a healthy and open relationship must exist between employees and their supervisors. Many firms conduct formal training courses to improve the coaching skills of their managers.

In coaching, participants can learn by actually doing a piece of work and obtain feedback on performance quickly. However, there is no guarantee that supervisors will be able to coach in an effective way. It is easy for the 'coach' to fall short in guiding the learner systematically, even if he knows which systematic experiences are best. Sometimes doing the job on hand may score over learning and watching. Many skills that have an intellectual component are best learned from a book or lecture before coaching could take place. Further, in many cases, the learner cannot develop much beyond the limits of his own boss's abilities. Coaching would work well if the coach provides a good model with whom the trainee can identify, if both can be open with each other, if the coach accepts his responsibility fully, and if he provides the trainee with recognition of his improvement and appropriate rewards.

4. **Understudy:** An understudy is a person who is in training to assume at a future time, the full responsibility of the position currently held by his superior. This method supplies the organization a person with as much competence as the superior to fill his post which may fall vacant because of promotion, retirement or transfer. An understudy is usually chosen by the head of a particular department. The head will then teach him what his entire job involves. The superior involves him in decision-making by discussing the daily operating problems as well.

Understudy assignments help the superior to lighten his workload by delegating some portion of his work to a designated person. The understudy, in turn, gets an opportunity to learn the superior's job and get ready for challenging roles at a later date. It is beneficial from the organization's point of view also as it will not be at the receiving end when an executive suddenly leaves his job. On the negative side, the designation of a person as an understudy may spark off jealousy and rivalry among competing subordinates. Since the understudy has been specially picked up, others who are left out in the race may get a feeling that competition for promotions is over. This would affect the motivation level of both the one who is designated (who tends to breathe easy, take the assignment for granted and even relax for a while) and the other personnel (who tend to carry the bitter feelings for a long, long time). The whole exercise would be beneficial only when trainees get a real opportunity to deal with challenging or interesting assignments (instead of performing paper shuffling chores).

### **Organizational Knowledge**

In addition to job knowledge, managers should also possess knowledge of various jobs, products, markets, finances creditors of the organization, etc. The techniques of imparting organizational knowledge are job rotation and multiple management.

### Notes

## Notes

1. **Job Rotation:** The transferring of executives from job to job and from department to department in a systematic manner is called job rotation. The idea behind this is to give them the required diversified skills and a broader outlook, which are very important at upper management levels. The management should provide a variety of job experiences for those judged to have the potential for higher ranks before they are promoted. Job rotation increases the inter-departmental cooperation and reduces the monotony of the work.
2. **Multiple Management:** Multiple management is a system in which permanent advisory committees of managers study problems of the company and make recommendations to higher management. It is also called a Junior-board of executives. These committees discuss the actual problems and different alternative solutions after which the decisions are taken. Multiple management technique offers several advantages: it helps board members to gain firsthand experience in various important aspects of business; it becomes easy to spot people with talent; juniors get a chance to improve their problem solving skills; and more importantly it is an inexpensive way of training a good number of executives to do things on their own and develop fast.

### General Knowledge

In addition to job knowledge and organizational knowledge, managers should possess general knowledge, as the external environment interacts with and influences the business. The general knowledge includes the knowledge about the economic conditions of the country and the world in general, in respect of major areas such as prices, GNP per capita income, various other industries, other sectors of the economy, political conditions, social factors, etc. General knowledge can be acquired through special courses, special meetings and specific readings.

- **Special Courses:** Special courses – like the workshops or executive development programmes organized by the institutes, universities and colleges – help the trainees to acquire general knowledge.
- **Special Meetings:** Special meetings organized in consumers' forums, voluntary organizations, etc., help the trainees develop their general knowledge.
- **Specific Readings:** Specific articles published by various journals, specific portions of important books are provided to the trainees to improve their general knowledge.

### Specific Individual Needs

Some trainees may be weak in some areas. Such trainees are provided with special facilities for development. These facilities include special projects and committee assignments.

- **Special Projects:** In this method, a trainee is put on a project closely related to the objectives of his department. For example, a new recruit in a property

evaluation firm may be asked to do a small project reviewing the prospects of selling commercial space in satellite townships (like Gurgaon, Rohtak and Ghaziabad) near Delhi. The project will give a firsthand experience of the problems and prospects in space selling to the new recruit.

- **Committee Assignment:** In this method, an *ad hoc* committee is appointed to discuss, evaluate and offer suggestions relating to an important aspect of business. For example, a group of experts may be asked to look into the feasibility of developing a Software Technology Park in an upcoming area by the Delhi Development Authority.

## Notes

### **Other Off-the-Job Methods**

1. **Conferences:** The conference method is another commonly used method of executive development. Topics such as human relations, safety education, customer relations, sales training, are often discussed, debated, spoken about at conferences specially organized and designed for the purpose. A conference is a meeting of people to discuss a subject of common interest. The conference is structured around a small group meeting wherein a leader helps the group identify and define a problem, guides the discussion along desired lines and summarizes the views that represent the consensus of the group in dealing with the problem. The participants exchange notes, opinions, ideas on the subject in a systematic, planned way. A conference may be divided into small groups for focused discussions. Participants are expected to air their opinions and thoughts freely. In order to ensure its success, (i) participants are expected to come prepared for the conference, (ii) the conference leader should conduct the sessions according to a plan, giving enough room for healthy interchange of different viewpoints, (iii) the discussion should proceed along desired lines and (iv) the size of the group should not be too large.
2. **Lectures:** Lectures are formal presentations on a topic by an experienced and knowledgeable person. The presentation is generally supported by discussions, case studies, audio-visual aids and film shows. It is a simple and inexpensive way of imparting knowledge on a topic of special importance to a large audience. There could be a speedy interchange of ideas on a specific topic. The method may often degenerate into a kind of one-way traffic where the presenter tries to get ahead without paying attention to the reactions of the audience. If the lecture is not interesting enough, the audience may not participate and offer any feedback. The listeners play a largely non-participatory role. They may ask questions but they never get the feel of what is being talked about. Moreover, participants do not share each other's experiences and hence the learning is confined to what the presenter has to say.

Notes

The method could be used effectively if the following things are kept in mind:

- (i) The presentation should be interesting, lively and leave enough room for healthy discussions mid-way.
- (ii) The presenter must possess excellent communication and interpersonal skills. Adequate preparation must precede the actual presentation.
- (iii) To enrich the presentation, audio-visual aids, examples, cases, and real-life incidents should be used freely, encouraging the audience to participate freely. Better to set time limits to the lecture, since listeners tend to switch off completely beyond a point (say, one or two hours).

3. **Group Discussion:** In this method, papers are presented by two or three trainees on a selected topic, followed by stimulating discussions. The topics for discussion are selected in advance and the papers concerning the same, written by various participants, are printed and circulated beforehand. It is a variant of the lecture method and is generally preferred where the intention is to give wide circulation and participation to a number of experts sharing their experiences with a fairly large group of individuals.

4. **Programmed Instruction (PI):** It is based on certain behavioural laws, particularly dealing with reinforcement. Reinforcement means rewarding a correct response and punishing a wrong one. A major feature of PI is that it offers immediate feedback on whether the trainee has answered questions correctly or not.

PI is a learner-oriented technique which presents subject matter to the trainees in small, sequential steps, requiring frequent responses from the trainee and immediately offering him of their accuracy or otherwise. If the response is accurate, he takes up the next level; if not, he is asked to go back and start again. The instructions are carefully planned moving from the simple to complex ones in a smooth way.

A major plus point of the method is that it allows the trainee to learn in small steps at a pace and rate suitable to him. He takes active part throughout the programme. Printed instructions could be offered by experts, keeping individual differences in mind. Regular feedback helps the trainer to improve material continuously. A computer-aided format can be placed in the hands of trainers with an instruction manual for getting excellent results. On the negative side, the impersonal atmosphere may not be very stimulating. The cost of designing such programmes is generally high. It is not suitable for trying to bring about behavioural changes.

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### 3.26 Key Factor for Success

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The success of any management development programme largely depends on the selection of the method. The objectives of the programme should be kept in mind while choosing

a particular method. However, no single technique may prove to be sufficient, but only a suitable combination of techniques may yield results.

The following factors may help in making a suitable choice:

Technique	Suitability
Job Rotation	To develop diversified skills and broaden the outlook of an executive
Understudy	To aid succession planning by developing the skills of juniors according to a pre-set plan
Multiple Management	To assist managers in expanding their outlook and knowledge in various functional areas
Case Study	To develop analytical, reasoning and problem-solving skills
Role Playing	To translate theoretical knowledge into action plans and to promote good human relations skills among trainees
Behaviour Modelling	To teach inter-personnel and cognitive skills
In-basket	To promote situational judgement and social sensitivity
<i>Contd.../-</i>	
Business Games	To develop smart thinking, quick reactions, initiative, organizing and leadership skills
Sensitivity Training	To promote self awareness and its impact on others
Conference	To improve and expand knowledge, attitudes and develop interpersonal skills
Lecture	To impart conceptual knowledge to a large audience within a short span of time.

Notes

### 3.27 Summary

Human resource development is the process of increasing knowledge, capabilities and positive work attitudes of all people working at all levels in a business undertaking. With the advent of globalization and the opening up of the economies of several nations, there was again a shift in the way the HRD function was conceptualized.

Human resource development is a process in which employees of the organizations are recognized as its human resource. It believes that human resource is the most valuable asset of the organization. HRD improves the all round growth of the employees. It also improves team spirit in the organization. They become more open in their behaviour. Thus, new values can be generated. Human resource management mainly aims to improve the efficiency of the employees whereas HRD aims at the development of the employees as well as the organization as a whole.

## Notes

Performance appraisal systems are designed to improve performance, they broadly cover three areas: define performance, facilitate performance and encourage performance. The evaluation systems are used for a variety of development and administrative purposes. Evaluations can be done either informally or systematically. Systematic evaluations are done annually. Evaluations can be done by superiors, peers, subordinates, teams, outsiders or a combination of raters. Employees also can carry out self-evaluations.

Three types of evaluation methods are generally used: individual evaluation methods, multiple person evaluation methods and other methods, including HRA, assessment centre, and 360 degree feedback, etc.

Evaluations should be carried out in an objective manner, scrupulously following the criteria laid down for this purpose. When evaluations take a subjective route, several problems crop up instantaneously: such as rating errors, poor forms, lack of rater preparedness, ineffective organizational policies and practices. To improve the reliability and validity of ratings, it is essential to train raters (apart from setting an objective set of criteria for evaluating performance). A variety of suggestions are advanced by HR professionals to overcome these problems. Recent approaches to performance management have involved more parties in the whole process of evaluation including subordinates, peers, customers, etc. Giving and receiving feedback is not an easy task. If done properly, both organization and employee will immensely benefit from such an exercise.

Training is essential for job success. It can lead to higher production, fewer mistakes, greater job satisfaction and lower turnover. These benefits accrue to both the trainee and the organization, if managers understand the principles behind the training process. To this end, training efforts must invariably follow certain learning-oriented guidelines. Training methods are usually classified by the location of instruction. Some of the widely used training methods are: Job Instruction Training (JIT), Coaching, Mentoring, etc. Training programmes delivered via internet have now been thought of next cost effective route. It is not only cost effective but also caters to the real time information need of employees.

Managers are the indispensable resources, the priceless assets of an organization. They generate creative ideas, translate them into concrete action plans and produce results. When they succeed, they are able to keep everyone in good humour – including shareholders, employees and the general publics. Executive or management development is a planned, systematic and continuous process of learning and growth by which managers develop their conceptual and analytical abilities to manage.

Management development programmes help in acquiring and developing different types of managerial skills and knowledge. In addition to job knowledge, managers should also possess knowledge of various jobs, products, markets, finances creditors of the organization, etc. The success of any management development programme largely



depends on the selection of the method. The objectives of the programme should be kept in mind while choosing a particular method.

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### 3.28 Glossary

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- **HRD:** The part of human resource management that specifically deals with training and development of the employees.
- **Resource Based View:** A management device used to assess the available amount of a business' strategic assets.
- **Monetary Incentives:** It refers to monetary rewards given when an employee meets or exceeds expectations.
- **Halo Effect:** Bias which occurs when the rater's personal opinion of a specific trait of employee influences the rater's overall assessment of performance.
- **Rater Bias:** Error that occurs when a rater's values or prejudices distort the rating.
- **Contrast Error:** Tendency to rate people relative to other people rather than to performance standards.
- **Behaviourally Anchored Ratios Scale:** It is an absolute assessment technique wherein critical incidents are identified and a range of performance possibilities (from poor to good) are described for each dimension.
- **Assessment Centre:** It is an evaluation technique that relies on multiple types of evaluation and multiple raters.
- **Central Tendency:** The reluctance to use the extremes of a rating scale and to thereby fail to adequately differentiate employees being rated.
- **Impression Management:** Efforts by employees to obtain higher ratings by portraying an image desired by their supervisors.
- **Ranking:** Listing employees from best to worst.
- **MBO:** An approach in which employee and supervisor jointly establish clear, measurable performance jobs for the future.
- **Rating Scale:** It is a method which requires the rater to provide a subjective performance evaluation along a scale from low to high.
- **Checklist:** Performance evaluation tool that uses a lot of statements or words that are checked by raters.
- **Training:** A planned programme designed to improve performance and bring about measurable changes in knowledge, skills, attitude and social behaviour of employees.
- **Development:** Broadening an individual's knowledge, skills and abilities for future responsibilities.

Notes

Notes

- **Job Rotation:** Moving a trainee from job to job so as to provide cross-training.
- **Vestibule Training:** A training method involving the creation of training facilities separate from the regular production area but with the same equipment.
- **Executive Development:** The process in which executives acquire not only skills and competence in their present jobs but also capabilities for future managerial tasks of increasing difficulty and scope.
- **Management Game:** It is a learning exercise representing a real-life situation where trainees compete with each other to achieve specific objectives.
- **Simulation Method:** It is a method employed to develop a situation that is close to reality where people learn by doing things in a controlled environment.
- **Programmed Learning:** A kind of individual study where trainees learn through a series of small steps, e.g., Linear programming.

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### 3.29 Review Questions

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1. What do you mean by human resource development?
2. Explain the concept of HRD and state its benefits.
3. State the salient features of HRD.
4. What is the difference between HRM and HRD?
5. Explain the Theory related to Human Resource Development.
6. Describe the Features of Human Resource Development.
7. Explain the Benefits of Human Resource Development.
8. Discuss the Functions of HRD.
9. Discuss the Human Resource Development Process and Methods.
10. What do you mean by term the performance evaluation? Explain the objectives of performance evaluation.
11. Discuss the steps involved in the performance evaluation.
12. Describe various methods of performance evaluation.
13. State the major problems of performance evaluation.
14. Describe in detail the process of performance evaluation.
15. Discuss the merits and demerits of critical incident technique and graphic rating scales.
16. “Performance evaluation is not merely for evaluation but is for accomplishment and improvement of performance”. Discuss.
17. Distinguish performance evaluation from potential evaluation.
18. Why is training of appraisers so important to an effective performance evaluation system?

19. What do you mean by term the Training?
20. Explain the need of training.
21. Discuss the steps involved in the Training methods.
22. Describe different purpose of Training.
23. State the major problems associated with training and development.
24. What are true objectives of training?
25. Distinguish between training and development.
26. Explain various method of training.
27. Briefly, outline the steps involved in conducting a training programme in a systematic way.
28. Define management development and its nature.
29. Discuss the importance and steps involved in executive programme.
30. What do you mean by self development?
31. Describe the knowledge management techniques.
32. Why has Management Development become indispensable to modern organizations? Give reasons.
33. What are the important steps in the organization of Management Development Programme?
34. Explain Case Study Method. What are the merits and demerits of Case Study Method?
35. What are the techniques of imparting organizational knowledge? Explain.

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### **3.30 Further Readings**

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- Aswathappa K., *Human Resource and Personnel Management*, Fifth edition, Tata McGraw Hill
- Rao V.S.P., *Human Resource Management, Text and Cases*, Second edition, Excel Books
- Ivansevich., *Human Resource Management*, Tenth edition, Tata McGraw Hill
- Dessler., *Human Resource Management*, Tenth edition, Prentice Hall
- Bernardi., *Human Resource Management*, Fourth edition, Tata McGraw Hill

# Compensation Management

## (Structure)

- 4.1 Learning Objectives
- 4.2 Introduction
- 4.3 Basics of Compensation
- 4.4 Factors Determining Pay Rate
- 4.5 Current Trends in Compensation
- 4.6 Job Evaluation
- 4.7 Job Evaluation Methods
- 4.8 Pricing Managerial and Professional Job
- 4.9 Computerized Job Evaluation
- 4.10 Summary
- 4.11 Glossary
- 4.12 Review Questions
- 4.13 Further Readings

## 4.1 Learning Objectives

After studying the chapter, students will be able to:

- Discuss the basics of compensation and factors determining pay rate;
- Know current trends in compensation and job evaluation and its methods;
- Understand pricing job and computerized job evaluation.

## 4.2 Introduction

Compensation management intends to develop the lowest-cost pay structure that will not only attract, inspire and motivate capable employees but also be perceived as fair by these employees. Job evaluation is the systematic process of determining the relative worth of jobs in order to establish which jobs should be paid more than others within the organization. Job evaluation helps to establish internal equity between various jobs.

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### 4.3 Basics of Compensation

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

### Notes

#### Nature of Compensation

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

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

#### Objectives of Compensation Planning

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

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

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

Notes

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

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#### 4.4 Factors Determining Pay Rate

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

- **Job Needs:** Jobs vary greatly in their difficulty, complexity and challenge. Some need high levels of skills and knowledge while others can be handled by almost anyone. Simple, routine tasks that can be done by many people with minimal skills receive relatively low pay. On the other hand, complex, challenging tasks that can be done by few people with high skill levels generally receive high pay.
- **Ability to Pay:** Projects determine the paying capacity of a firm. High profit levels enable companies to pay higher wages. This partly explains why computer software industry pays better salaries than commodity based industries (steel, cement, aluminium, etc.). Likewise, multinational companies also pay relatively high salaries due to their earning power.

- **Cost of Living:** Inflation reduces the purchasing power of employees. To overcome this, unions and workers prefer to link wages to the cost of living index. When the index rises due to rising prices, wages follow suit.
- **Prevailing Wage Rates:** Prevailing wage rates in competing firms within an industry are taken into account while fixing wages. A company that does not pay comparable wages may find it difficult to attract and retain talent.
- **Unions:** Highly unionized sectors generally have higher wages because well organized unions can exert pressure on management and obtain all sorts of benefits and concessions to workers.
- **Productivity:** This is the current trend in most private sector companies when workers' wages are linked to their productivity levels. If your job performance is good, you get good wages. A sick bank, for example, can't hope to pay competitive wages, in tune with profit making banks.
- **State Regulation:** The legal stipulations in respect of minimum wages, bonus, dearness allowance, allowances, etc., determine the wage structure in an industry.
- **Demand and Supply of Labour:** The demand for and the supply of certain skills determine prevailing wage rates. High demand for software professionals, R&D professionals in drug industry, telecom and electronics engineers, financial analysts, management consultants ensures higher wages. Oversupply kills demand for a certain category of employees leading to a steep fall in their wages as well.

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## 4.5 Current Trends in Compensation

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

### Wages

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

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

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

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

## Notes

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

The term 'Allowances' includes the amount paid to employees as part of their salary package, or to defray their out of pocket expenses incurred on behalf of the firm. For example, employees are paid travelling allowance or mobile allowance.

The wage structure in India may be examined broadly under the following heads:

### **Basic Wage**

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

### **Dearness Allowance (DA)**

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

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

- **All India Consumer Price Index (AICPI):** The Labour Bureau, Shimla, computes the AICPI (Base 2001 = 100 points) from time to time.
- **Time Factor:** In this case DA is linked to the rise in the All India Consumer Price Index (AICPI) in a related period, instead of linking it to fortnightly or monthly fluctuations in index.



- **Point Factor:** Here DA rises in line with a rise in the number of index points above a specific level.
- **Other Allowances:** The list of allowances granted by employers in India has been expanding, thanks to the increasing competition in the job market and the growing awareness on the part of employees. These include accommodation, servant, vehicle, shifts, lunches, pick-up & drop facility, etc.

## 4.6 Job Evaluation

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

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

### Job Evaluation versus Performance Appraisal

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

**Table 4.1: Job Evaluation versus Performance Appraisal**

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

### Features of Job Evaluation

The purpose of job evaluation is to produce a defensive ranking of jobs on which a rational and acceptable pay structure can be built. The important features of job evaluation may be summarized in the following ways:

- It tries to assess jobs, not people.
- The standards of job evaluation are relative, not absolute.

## Notes

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

### Process of Job Evaluation

The process of job evaluation involves the following steps:

1. **Gaining Acceptance:** Before undertaking job evaluation, top management must explain the aims and uses of the programme to the employees and unions. To elaborate the programme further, oral presentations could be made. Letters and booklets could be used to classify all relevant aspects of the job evaluation programme.
2. **Creating Job Evaluation Committee:** It is not possible for a single person to evaluate all the key jobs in an organization. Usually a job evaluation committee consisting of experienced employees, union representatives and HR experts is created to set the ball rolling.
3. **Finding the Jobs to be Evaluated:** Every job needs not be evaluated. This may be very taxing and costly. Certain key jobs in each department may be identified. While picking up the jobs, care must be taken to ensure that they represent the type of work performed in that department.
4. **Analyzing and Preparing Job Description:** This requires the preparation of a job description and also an analysis of job needs for successful performance .
5. **Selecting the Method of Evaluation:** The most important method of evaluating the jobs must be identified now, keeping the job factors as well as organizational demands in mind.
6. **Classifying Jobs:** The relative worth of various jobs in an organization may be found out after arranging jobs in order of importance using criteria such as skill requirements, experience needed, under which conditions job is performed, type of responsibilities to be shouldered, degree of supervision needed, the amount of stress caused by the job, etc. Weights can be assigned to each such factor. When we finally add all the weights, the worth of a job is determined. The points may then be converted into monetary values.
7. **Installing the Programme:** Once the evaluation process is over and a plan of action is ready, management must explain it to employees and put it into operation.
8. **Reviewing Periodically:** In the light of changes in environmental conditions (technology, products, services, etc.) jobs need to be examined closely. For example, the traditional clerical functions have undergone a rapid change in sectors like

banking, insurance and railways, after computerization. New job descriptions need to be written and the skill needs of new jobs need to be duly incorporated in the evaluation process. Otherwise, employees may feel that all the relevant job factors – based on which their pay has been determined – have not been evaluated properly.

### Essentials for the Success of a Job Evaluation Programme

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

- Compensable factors should represent all of the major aspects of job content. Compensable factors selected should (a) avoid excessive overlapping or duplication; (b) be definable and measurable; (c) be easily understood by employees and administrators; (d) not cause excessive installation or administrative cost; and (e) be selected with legal considerations in mind.
- Operating managers should be convinced about the techniques and programme of job evaluation. They should also be trained in fixing and revising the wages based on job evaluation.
- All the employees should be provided with complete information about job evaluation techniques and programme.
- All groups and grades of employees should be covered with the job evaluation programme.
- The programme of – and techniques selected for – job evaluation should be easy to understand by all the employees.
- Trade unions' acceptance and support to the programme should be obtained.
- Experts have advanced certain *guidelines* for conducting the job evaluation programme in a systematic way:
  - Rate the job – not the person or employee on the job.
  - Strive to collect all the facts accurately.
  - Look especially for distinguishing features of jobs and for relationships to other jobs.
  - Study jobs independently and objectively, and then discuss views thoroughly and open-mindedly before reaching final decisions.
  - Job evaluation must be conducted systematically, based on factual and accurate information.
  - The results of job evaluation must be *fair* and rational and unbiased to the individuals being affected.

### Benefits

The pay offs from job evaluation may be stated as follows:

- It tries to link pay with the requirements of the job.

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

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#### 4.7 Job Evaluation Methods

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

##### Ranking Method

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

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

**Table 4.2: Array of Jobs according to the Ranking Method**

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

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

### Classification Method

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

1. **Class I - Executives:** Further classification under this category may be Office manager, Deputy office manager, Office superintendent, Departmental supervisor, etc.
2. **Class II - Skilled Workers:** Under this category the Purchase assistant, Cashier, Receipts clerk, etc., may come.
3. **Class III - Semiskilled Workers:** Under this category Steno-typists, Machine-operators, Switchboard operator, etc., may come.
4. **Class IV - Semiskilled Workers:** This category comprises Daftaris, File clerks, Office boys, etc.

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

The weaknesses of the job classification method are:

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

**Factor Comparison Method**

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

The steps involved in factor comparison method may be briefly stated as given below:

1. Select key jobs (say 15 to 20), representing wage/salary levels across the organization. The selected jobs must represent as many departments as possible.
2. Find the factors in terms of which the jobs are evaluated (such as skill, mental effort, responsibility, physical effort, working conditions, etc.).
3. Rank the selected jobs under each factor (by each and every member of the job evaluation committee) independently.
4. Assign money value to each factor and determine the wage rates for each key job.
5. The wage rate for a job is apportioned along the identified factors.
6. All other jobs are compared with the list of key jobs and wage rates are determined.
7. An example of how the factor comparison method works is given below:

**Table 4.3: An Example of Factor Comparison Method**

<b>Factors Key Job</b>	<b>Daily Wage Rate</b>	<b>Physical effort</b>	<b>Mental effort</b>	<b>Skill</b>	<b>Responsi- bility</b>	<b>Working conditions</b>
Electrician	60	11(3)	14(1)	15(1)	12(1)	8(2)
Fitter	50	14(1)	10(2)	9(2)	8(2)	9(1)
Welder	40	12(2)	7(3)	8(3)	7(3)	6(3)
Cleaner	30	9(4)	6(4)	4(5)	6(4)	5(4)
Labourer	25	8(5)	4(5)	6(4)	3(5)	4(5)

After the wage rate for a job is distributed along the identified and ranked factors, all other jobs in the department are compared in terms of each factor. Suppose, the job

of a 'painter' is found to be similar to electrician in skill (15), fitter in mental effort (10), welder in physical effort (12) cleaner in responsibility (6) and labourer in working conditions (4). The wage rate for this job would be (15+10+12+6+4) is 47.

### Point Method

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

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

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

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

**Table 4.4: Point Values to Factors along a Scale**

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

3. Find the maximum number of points assigned to each job (after adding up the point values of all sub-factors of such a job). This would help in finding the relative worth of a job. For instance, the maximum points assigned to an officer's job in a bank come to 540. The manager's job, after adding up key factors + sub factors points, may be getting a point value of say 650 from the job evaluation committee. This job is now priced at a higher level.

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4. Once the worth of a job in terms of total points is expressed, the points are converted into money values keeping in view the hourly/daily wage rates. A wage survey is usually undertaken to collect wage rates of certain key jobs in the organization. Let's explain this:

**Table 4.5: Conversion of Job Grade Points into Money Value**

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

**Merits and Demerits**

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

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

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**4.8 Pricing Managerial and Professional Job**

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Organizations decide executive compensation packages, consisting of basic pay, allowances, perquisites, stock options, etc., based on a number of factors. The United States Compensation institutes' Phoenix plan uses these compensable factors:

- Job related experience
- Time spent in planning
- Training time required
- Contact with suppliers/customers



- Frequency of review of work
- Impact on departmental budget
- Utilization of independent choice
- Directing of others.
- Frequency of reference to guidelines
- Training of staff/physical stress experienced
- Frequency of work transferred through
- Time spent working under deadlines
- Analytical complexity
- Time spent in hazardous conditions
- Time spent in processing information
- Supervisors reporting to position level
- Travel outside work location
- Salary grade to which this position reports
- Salary grade of positions supervised
- Management responsibility
- Revenue size
- Asset size
- Employment size
- Budget size
- Payroll size

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The Hay Group, another specialized US Agency, uses three compensable factors: accountability, problem-solving and know-how. Sibson and company determines base compensation depending on the market value of the job, its relationship to other positions in the organization and the person's value to the organization based on long-term performance and experience. The Compensation Survey Report of Business International Asia – Pacific Limited, Hongkong considered the following factors to determine executive compensation: education, experience, scope of activities, need to negotiate, type of problems handled, decision making authority, influence on results, size of the unit managed, number of people supervised, number of reporting steps to the head of unit.

***Indian Practices***

Executive compensation in India is basically built around three important factors: job complexity, employers' ability to pay and executive human capital. The complexity of a chief executive's job would depend on the size of the company as measured by its sales volume, earnings and assets' growth, the geographic dispersal of the unit, etc.

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The employer's ability to pay is also a major factor to be considered while deciding executive compensation. A sick bank, for instance, cannot afford to pay the same kind of salary to its executives as that of a healthy and growing bank. This partly explains why executive compensation in public sector undertakings is less when compared to private sector units.

The economic theory of human capital says that the compensation of a worker should be equal to his marginal productivity. The productivity of an executive, likewise depends on his qualifications, job knowledge, experience and contribution. Indian companies usually structured executive compensation along the following factors: salary, bonus, commission, PF, family pension, superannuation fund, medical reimbursement, leave travel assistance, house rent allowance and other perquisites. In recent years, instead of increasing the base compensation, companies have been enhancing the worth of an executive job through novel payment plans based on earnings/assets or sales growth of the company over a period of time, well-supported by an ever-expanding list of allowances and perquisites including stock options, educational, recreational, academic allowances and several other developmental initiatives aimed at improving the overall personality of an executive.

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### 4.9 Computerized Job Evaluation

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The computerization of job evaluation is evolving into an effective way of supporting the ambitions of global organizations, largely due to the potential of network based job evaluation tools. They fall into two broad areas:

1. Administrative support, and
2. Evaluation decision support.

Administrative support is about managing the data with the usual array of reporting facilities.

Evaluation decision support provides guidance to the evaluator in various degrees with the aim of improving objectivity and consistency. Often built around a questionnaire that aids the analysis of a job using cross-comparisons and 'sense-checks', computerisation supports a slotting process, improving speed, efficiency and the recording of 'evidence'. More sophisticated questionnaire approaches emulate the evaluation process through intelligent 'rules' that generate a computer decision. The 'rules' are, by definition, more precise, give a consistent result for a given set of inputs and can compute a range of job content features much faster.

There is now more choice than ever in implementing job evaluation, as follows:

- Manual systems,
- Systems supported by stand-alone computers,
- Local networked systems on a common restricted database,

- Intranet/Internet-based systems that permit clear control from a central point but allow significant involvement, and
- Intranet/Internet-based systems that permit job evaluation decisions to be devolved to line management.

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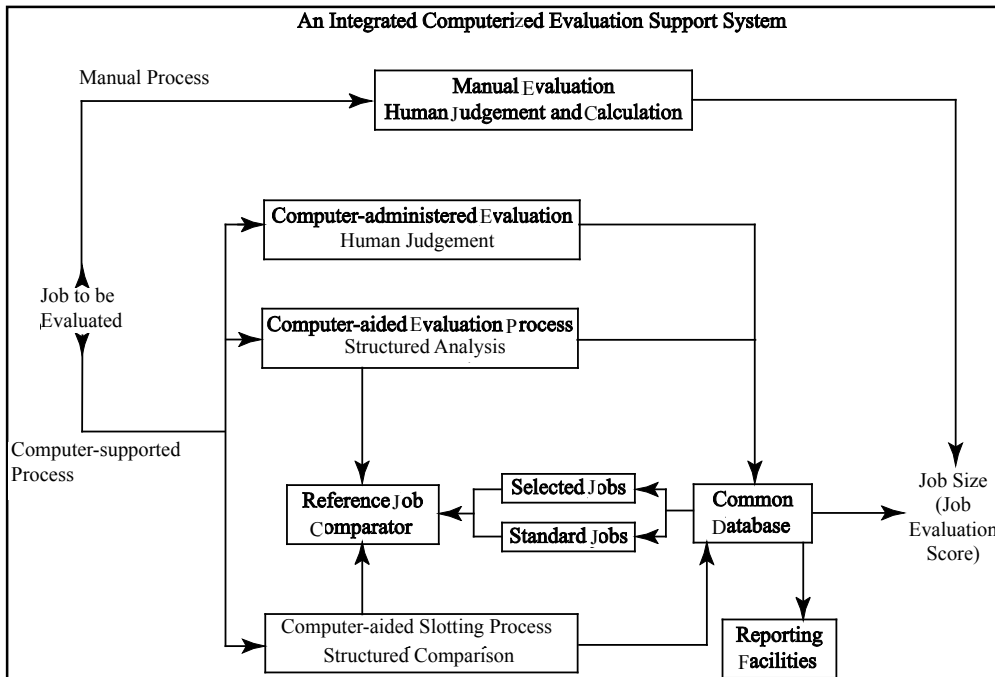


Fig. 4.1

Smaller organizations are likely to keep manual systems (including some spreadsheet tools) but may adopt more sophisticated computerized methods while keeping close central control. Larger organizations are likely to want to spread the management task beyond the centre and will wish to consider how the job evaluation process integrates with the mainstream HR information systems. Clearly, it is highly desirable to have common platforms, although the nature of job evaluation does not require a ‘real-time’ system.

A comprehensive system that incorporates a variety of job tools and processes – from a manual scheme to a computerized questionnaire and slotting process – is illustrated in Figure 17.1. Assuming a single analytical job evaluation method, a particular job can be evaluated using a number of possible paths to arrive at a job evaluation score that is universally compatible with any of the processes. Figure 17.1 shows a manual process and a computerised administration option. In addition, it shows that a computerised analysis using a questionnaire might be employed to produce a job evaluation score and to enable easy comparison with a set of reference jobs. These first two computer-supported processes are analytical job evaluation methods. Finally, a rapid slotting process might be used to cross-compare with the set of reference jobs and, as a result of the linkage to one of these, suggest a job evaluation score. The common database of

evaluation scores permits the management of comparisons to a set of reference jobs, which may be a combination of specifically targeted jobs or standard (generic) jobs. Reporting facilities will enable production of detailed standard and user-designed reports.

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### 4.10 Summary

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Compensation is what employees receive in exchange for their contribution to the organization. Pay refers to the base wages and salaries employees normally receive. Compensation forms such as bonuses, commissions and profit sharing plans are incentives designed to encourage employees to produce results beyond normal expectation.

Benefits such as insurance, medical, recreational, retirement, etc., represent a more indirect type of compensation. The amount of compensation received by an employee should reflect the effort put in by the employee, the degree of difficulty experienced while expending his energies, the competitive rates offered by others in the industry and the demand-supply position within the country, etc.

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

Under the Workmen's Compensation Act, 1923, "Wages for leave period, holiday pay, overtime pay, bonus, attendance bonus, and good conduct bonus" form part of wages. Under the Payment of Wages Act, 1936, Section 2 (vi), "any award of settlement and production bonus, if paid, constitutes wages. Under the Payment of Wages Act, 1948, "retrenchment compensation, payment in lieu of notice and gratuity payable on discharge constitute wages."

The computerization of job evaluation is evolving into an effective way of supporting the ambitions of global organizations, largely due to the potential of network based job evaluation tools. They fall into two broad areas: Administrative support, and Evaluation decision support.

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### 4.11 Glossary

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- **Compensation:** It is what employees receive in exchange for their contribution to the organization.
- **Wages:** The amount paid by the employer for the services of hourly, daily, weekly, fortnightly employees (ILO).
- **Incentives:** Motivational devices used such as bonuses or commissions to encourage special work effort.
- **Earnings:** Total amount of remuneration received by an employee during a given period.
- **Wage Rate:** It is the amount of remuneration for a unit of time, excluding incentives, overtime pay etc.

- **Wage Policy:** Principles acting as guidelines for determining a wage structure.
- **Pay Equity:** An employee's perception that compensation received is equal to the value of work performed.
- **Compensation Administration:** Deciding about how much an employee should be paid observing internal as well as external equity.
- **Salary Survey:** A survey aimed at finding prevailing wage rates.

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## 4.12 Review Questions

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1. Write the difference between Pay and Compensation.
2. Name some benefits of an employee gains from an organization.
3. Discuss the nature of compensation in brief.
4. What are the different objectives of compensation planning?
5. What are the current trends in compensation?
6. Discuss the basics of compensation and factors determining pay rate.
7. Discuss the current trends in compensation and job evaluation.
8. Describe the methods of job evaluation.
9. Explain the pricing job and computerized job evaluation.

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## 4.13 Further Readings

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- Aswathappa K., *Human Resource and Personnel Management*, Fifth edition, Tata McGraw Hill
- Rao V.S.P., *Human Resource Management, Text and Cases*, Second edition, Excel Books
- Ivansevich., *Human Resource Management*, Tenth edition, Tata McGraw Hill
- Dessler., *Human Resource Management*, Tenth edition, Prentice Hall
- Bernardi., *Human Resource Management*, Fourth edition, Tata McGraw Hill
- C.R. Kothari, *Research Methodology*, Willey International Ltd., New Delhi
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## Behavioral Dimensions of HRM

### (Structure)

- 5.1 Learning Objectives
- 5.2 Introduction
- 5.3 Job Enrichment
- 5.4 Job Enlargement
- 5.5 Promotion
- 5.6 Transfers
- 5.7 Employment Policies in India
- 5.8 Employee Benefits
- 5.9 Separation: Needs and Methods
- 5.10 Trade Unions
- 5.11 Collective Bargaining
- 5.12 Discipline Administration
- 5.13 Summary
- 5.14 Glossary
- 5.15 Review Questions
- 5.16 Further Readings

### 5.1 Learning Objectives

After studying the chapter, students will be able to:

- Discuss the concept of job enrichment and job enlargement;
- Explain the concept of promotion;
- Understand the concept of transfers;
- Discuss the need and methods of separation;
- Explain the significance and functioning of trade unions;
- Discuss the importance of workers' participation in management;

- State the employment policies in India;
- Discuss the policies regarding employee benefits in India.

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## **5.2 Introduction**

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Job satisfaction is one of the major components of managing employees. If an employee is not satisfied with his job, he might not be able to continue work or might work half heartedly. Therefore, it is important to manage job satisfaction. HRM managers do so by employing various techniques like job enrichment, job enlargement, promotion and transfers. Promotion basically is a reward for efficiency. It is conferment of additional benefits, usually in the form of higher pay, for an increase in responsibility or skill which is formalized by an increase in status or rank. Yet, in another way, promotion can be defined as advancement of an employee in an organization to another job, which commands better pay/wages, better status/prestige and higher opportunities/challenges and responsibilities, a better working environment, hours of work and facilities, etc.

Transfer is the lateral movement of employees from one position, division, department or unit to another. Generally transfer does not involve any significant change in compensation, duties responsibilities or even status.

In the previous unit, you learnt about various laws related to employee welfare. Here, we will discuss trade unions and collective bargaining.

In India, the State also plays a vital role in industrial relations, with its emphasis on welfare, maintaining a balance between labour and management. Moreover, the Trade Unions Act, 1926, allows employees to form registered trade unions for collective bargaining. The Act gives the registered trade unions certain protection and privileges. The government also formulated a comprehensive scheme on 30

December 1983 for workers' participation in management. The scheme, applicable to all public sector undertaking, allows both the workers and the management to have equal participation in the shop/plant forums. Along with these concepts, the unit will also discuss separation and discipline administration.

India is being widely recognized as one of the most exciting emerging economies in the world. Besides becoming a global hub of outsourcing, Indian firms are spreading their wings globally through mergers and acquisitions. This impressive development has been due to a growth in inputs (capital and labour) as well as factor productivity. By the year 2020, India is expected to add about 250 million to its labour pool at the rate of about 18 million a year, which is more than the entire labour force of Germany. This so called 'demographic dividend' has drawn a new interest in the Human Resource concepts and practices in India.

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### 5.3 Job Enrichment

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Job enrichment is an attempt to motivate employees by giving them the opportunity to use the range of their abilities. It is an idea that was developed by the American psychologist Frederick Herzberg in the 1950s. It can be contrasted to job enlargement which simply increases the number of tasks without changing the challenge. As such job enrichment has been described as ‘vertical loading’ of a job, while job enlargement is ‘horizontal loading’. An enriched job should ideally contain:

- A range of tasks and challenges of varying difficulties (Physical or Mental);
- A complete unit of work – a meaningful task, and
- Feedback, encouragement and communication.

Job enrichment is a type of job redesign intended to reverse the effects of tasks that are repetitive requiring little autonomy. Some of these effects are boredom, lack of flexibility, and employee dissatisfaction (Leach & Wall, 2004). The underlying principle is to expand the scope of the job with a greater variety of tasks, vertical in nature, that requires self-sufficiency. Since the goal is to give the individual an exposure to the tasks normally reserved for differently focused or higher positions, merely adding more of the same responsibilities related to an employee’s current position is not considered job enrichment.

Job enrichment has its roots in Frederick Herzberg’s two-factor theory, according to which two separate dimensions contribute to an employee’s behaviour at work.

- **The first dimension**, known as hygiene factors, involves the presence or absence of job dissatisfactors, such as wages, working environment, rules and regulations, and supervisors. When these factors are poor, work is dissatisfying and employees are not motivated. However, having positive hygiene factors does not cause employees to be motivated; it simply keeps them from being dissatisfied.
- **The Second Dimension** of Herzberg’s theory refers to motivators, which are factors that satisfy higher-level needs such as recognition for doing a good job, achievement, and the opportunity for growth and responsibility. These motivators are what actually increase job satisfaction and performance. Job enrichment becomes an important strategy at this point because enriching employees’ jobs can help meet some of their motivational needs. There are basically five areas that are believed to affect an individual employee’s motivation and job performance: **skill variety, task identity, task significance, autonomy, and feedback**. Job enrichment seeks to find positive ways to address each of these areas and therefore improve employee motivation and personal satisfaction.



**Skill variety** involves the number of different types of skills that are used to do a job. This area is important because using only one skill to do the same task repeatedly can be quite boring, typically causing the employee's productivity to decrease after a period of time. However, using a variety of skills in a job will tend to keep the employee more interested in the job and more motivated.

One way businesses are focusing on this area is through job rotation, which is, moving employees from job to job within the company, thereby allowing employees a variety of tasks in their work and helping prevent boredom. While this process can be expensive to the company because employees must be trained in several different areas, the cost tends to be balanced by the increase in morale and productivity. Job rotation also gives each employee the opportunity to see how the different jobs of a company fit together and give the company more flexibility in covering tasks when workers are absent. However, while job rotation is a good way to enrich employees' jobs, it can also hinder performance: Having to know several different jobs in order to rotate, can prevent employees from becoming proficient at any of the jobs. Therefore, the advantages and disadvantages of job rotation as an enrichment strategy have to be carefully weighed.

**Task Identity** is a matter of realizing a visible outcome from performing a task. Being able to see the end result of the work they do is an important motivator for employees. One way to make task identity clearer is through job enlargement, which means adding more tasks and responsibilities to an existing job. For example, instead of building just one component part of a humidifier, a team of employees builds the entire product from start to finish. When using job enlargement as an enrichment strategy, it is important that enlarging the job gives the employee more responsibility and more variety, not just more work.

**Task significance** involves how important the task is to others in the company, which is important in showing employees how the work they do fits in with that done in the rest of the organization. If employees can see how their work affects others, it will be a motivator to do the best job they can.

Many companies take new employees on a tour of the company and provide training sessions on how each part of the company works together with the other parts. In order to accept and handle responsibility, it is important that employees know how the various areas of the company work together; without this knowledge, it is very difficult for them to handle decision-making responsibilities. Putting employees from different areas of the company into planning teams can also help them see the significance of the tasks they perform.

**Autonomy** involves the degree of freedom, independence, and decision-making ability the employee has in completing assigned tasks. Most people like to be given

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responsibility; it demonstrates trust and helps motivate employees to live up to that trust. Responsibility can also help speed up work processes by enabling the employee to make decisions without having to wait for management approval. Autonomy is a very important part of job enrichment because it gives the employee power and a feeling of importance.

A type of job enrichment that restructures work to best match the employee to the job is job redesign. Job redesign can focus on combining existing jobs, forming work groups, and/or allowing closer contact between employees and individual suppliers or customers. The idea behind job redesign is to match employees with a job they like and are best qualified to perform. Self-managed teams are a type of job design whereby employees are grouped into teams and given certain guidelines to follow as well as goals to accomplish—and then left alone to accomplish those goals. Self-managed teams demonstrate the company's faith in the employees and give employees a feeling of power and pride in the work they accomplish.

**Feedback** describes how much and what type of information about job performance is received by the employee. It is one of the most important areas for motivation. Without feedback, employees have no way of knowing whether they are doing things correctly or incorrectly. Positive feedback helps to motivate employees by recognizing the efforts they have put into their work. While monetary rewards for doing a good job can be a strong incentive, sometimes saying “you did a really good job on that project” can mean just as much. Corrective feedback is also important because it lets employees know what areas need improvement.

### **Job Enrichment Options**

The central focus of job enrichment is giving people more control over their work (lack of control is a key cause of stress, and therefore of unhappiness.) Where possible, allow them to take on tasks that are typically done by supervisors. This means that they have more influence over planning, executing, and evaluating the jobs they do.

In enriched jobs, people complete activities with increased freedom, independence, and responsibility. They also receive plenty of feedback, so that they can assess and correct their own performance.

Here are some strategies you can use to enrich jobs in your workplace:

- **Rotate Jobs:** Give people the opportunity to use a variety of skills, and perform different kinds of work. The most common way to do this is through job rotation. Move your workers through a variety of jobs that allow them to see different parts of the organization, learn different skills and acquire different experiences. This can be very motivating, especially for people in jobs that are

very repetitive or that focus on only one or two skills.

- **Combine Tasks:** Combine work activities to provide a more challenging and complex work assignment. This can significantly increase “task identity” because people see a job through from start to finish. This allows workers to use a wide variety of skills, which can make the work seem more meaningful and important. For example, you can convert an assembly line process, in which each person does one task, into a process in which one person assembles a whole unit. You can apply this model wherever you have people or groups that typically perform only one part of an overall process. Consider expanding their roles to give them responsibility for the entire process, or for a bigger part of that process.
- **Identify Project-Focused Work Units:** Break your typical functional lines and form project-focused units. For example, rather than having all of your marketing people in one department, with supervisors directing who works on which project, you could split the department into specialized project units - specific storyboard creators, copywriters, and designers could all work together for one client or one campaign. Allowing employees to build client relationships is an excellent way to increase autonomy, task identity, and feedback.
- **Create Autonomous Work Teams:** This is job enrichment at the group level. Set a goal for a team, and make team members free to determine work assignments, schedules, rest breaks, evaluation parameters, and the like. You may even give them influence over choosing their own team members. With this method, you’ll significantly cut back on supervisory positions, and people will gain leadership and management skills.
- **Implement Participative Management:** Allow team members to participate in decision making and get involved in strategic planning. This is an excellent way to communicate to members of your team that their input is important. It can work in any organization – from a very small company, with an owner/boss who’s used to dictate everything, to a large company with a huge hierarchy. When people realize that what they say is valued and makes a difference, they’ll likely be motivated.
- **Redistribute Power and Authority:** Redistribute control and grant more authority to workers for making job-related decisions. As supervisors delegate more authority and responsibility, team members’ autonomy, accountability, and task identity will increase.
- **Increase Employee-Directed Feedback:** Make sure that people know how well, or poorly, they’re performing their jobs. The more control you can give them for evaluating and monitoring their own performance, the more enriched

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their jobs will be. Rather than have your quality control department go around and point out mistakes, consider giving each team responsibility for their own quality control. Workers will receive immediate feedback, and they'll learn to solve problems, take initiative, and make decisions.

Job enrichment provides many opportunities for people's development. You'll give them lots of opportunities to participate in how their work gets done, and they'll most-likely enjoy an increased sense of personal responsibility for their tasks.

### **Process of a Job Enrichment Programme**

Job enrichment involves the following steps:

1. Find out where people are dissatisfied with their current work assignments. There's little point to enriching jobs and changing the work environment if you're enriching the wrong jobs and making the wrong changes. Like any motivation initiative, determine what your people want before you begin.

Surveys are a good means of doing this. Don't make the mistake of presuming that you know what people want: Go to the source - and use that information to build your enrichment options.

2. Consider which job enrichment options you can provide. You don't need to drastically redesign your entire work process. The way that you design the enriched jobs must strike a balance between operational need and job satisfaction. If significant changes are needed, consider establishing a "job enrichment task force" - perhaps use a cross-section of employees, and give them responsibility for deciding which enrichment options make the most sense.
3. Design and communicate your programme. If you're making significant changes, let people know what you're doing and why. Work with your managers to create an enriching work environment that includes lots of employee participations and recognitions. Remember to monitor your efforts, and regularly evaluate the effectiveness of what you're providing.

### **Advantages of Job Enrichment**

Following are the advantages of job enrichment:

- **Interesting and Challenging Job:** When a certain amount of power is given to employees it makes the job more challenging for them, we can say that job enrichment is a method of employee empowerment.
- **Improves Decision Making:** Through job enrichment we can improve the decision making ability of the employee by asking him to decide.
- **Helps Achieve Higher Order Needs:** Motivation speaks of these higher order needs, e.g., ego and esteemed needs, self-actualization, etc. These needs can be achieved through job enrichment.

- **Reduces Workload of Superiors:** Job enrichment reduces the work load of senior staff. When decisions are taken by juniors' the seniors' work load is reduced.

### **Disadvantages of Job Enrichment**

Following are the disadvantages of job enrichment:

- Job enrichment is based on the assumptions that workers have complete knowledge to take decisions and they have the right attitude. In reality this might not be the case due to which there can be problems in working.
- Job enrichment has negative implications, i.e., along with usual work decision making work is also given to the employees and not many may be comfortable with this.
- Superiors may feel that power is being taken away from them and given to the juniors. This might lead to ego problems.
- This method will only work in certain situations. Some jobs already give a lot of freedom and responsibility; this method will not work for such jobs.
- Some people are internally dissatisfied with the organization. For such people no amount of job enrichment can solve the problem.

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## **5.4 Job Enlargement**

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Job enlargement is another method of job design. When any organization wishes to adopt proper job design it can opt for job enlargement. Job enlargement involves combining various activities at the same level in the organization and adding them to the existing job. It increases the scope of the job. It is also called the horizontal expansion of job activities.

Job enlargement contradicts the principles of specialization and the division of labour whereby work is divided into small units, each of which is performed repetitively by an individual worker. Some motivational theories suggest that the boredom and alienation caused by the division of labour can actually cause efficiency to fall. Thus, job enlargement seeks to motivate workers through reversing the process of specialization. A typical approach might be there to replace assembly lines with modular work; instead of an employee repeating the same step on each product, they perform several tasks on a single item. In order for employees to be provided with Job Enlargement they will need to be retrained in new fields which can prove to be a lengthy process. However results have shown that this process can see its effects diminish after a period of time, as even the enlarged job role becomes the mundane, this in turn can lead to similar levels of demotivation and job dissatisfaction at the expense of increased training levels and

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costs. The continual enlargement of a job over time is also known as, 'job creep', which can lead to an unmanageable workload.

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### Advantages of Job Enlargement

Following are the advantages of job enlargement:

- **Variety of Skills:** Job enlargement helps the organization to improve and increase the skills of the employee due to organization as well as the individual benefit.
- **Improves Earning Capacity:** Due to job enlargement the person learns many new activities. When such people apply for jobs to other companies they can bargain for more salary.
- **Wide Range of Activities:** Job enlargement provides wide range of activities for employees. Since a single employee handles multiple activities the company can try and reduce the number of employees. This reduces the salary bill for the company.

### Disadvantages of Job Enlargement

Following are the disadvantages of job enlargement:

- **Increases Work Burden:** Job enlargement increases the work of the employee and not every company provides incentives and extra salary for extra work. Therefore, the efforts of the individual may remain unrecognized.
- **Increasing Frustration of the Employee:** In many cases employees end up being frustrated because increased activities do not result in increased salaries.
- **Problem with Union Members:** Many union members may misunderstand job enlargement as exploitation of worker and may take objection to it.

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## 5.5 Promotion

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Promotion refers to upward movement of an employee from current job to another that is higher in pay, responsibility and/or organizational level. Promotion brings enhanced status, better pay, increased responsibilities and better working conditions to the promotee. There can, of course, be 'dry promotion' where a person is moved to a higher level job without increase in pay. Promotion is slightly different from *upgradation* which means elevating the place of the job in the organizational hierarchy (a better title is given now) or including the job in higher grade (minor enhancement in pay in tune with the limits imposed within a particular grade). A transfer implies horizontal movement of an employee to another job at the same level. There is no increase in pay, authority or status. Hence, it cannot act as a motivational tool. Promotion, on the other hand, has in-built motivational value, as it elevates the status and power of an employee within an organization.

## **Purposes and Advantages of Promotion**

Promotion, based either on meritorious performance or continuous service, has powerful motivational value. It forces an employee to use his knowledge, skills and abilities fully and become eligible for vertical growth. It inspires employees to compete and get ahead of others. Those who fall behind in the race are also motivated to acquire the required skills to be in the reckoning. Promotion thus, paves the way for employee self development. It encourages them to remain loyal and committed to their jobs and the organization. The organization would also benefit immensely because people are ready to assume challenging roles by improving their skills constantly. Interest in training and development programmes would improve. The organization would be able to utilize the skills and abilities of its personnel more effectively.

## **Bases of Promotion**

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

**1. Merit-based Promotions:** Merit based promotions occur when an employee is promoted because of superior performance in the current job. Merit here denotes an individual's knowledge, skills, abilities and efficiency as measured from his educational qualifications, experience, training and past employment record. The advantages of this system are fairly obvious:

- (i) It motivates employees to work hard, improve their knowledge, acquire new skills and contribute to organizational efficiency.
- (ii) It helps the employer to focus attention on talented people, recognize and reward their meritorious contributions in an appropriate way.
- (iii) It also inspires other employees to improve their standards of performance through active participation in all developmental initiatives undertaken by the employer (training, executive development, etc.)

However, the system may fail to deliver the results, because:

- (i) It is not easy to measure merit. Personal prejudices, biases and union's pressures may come in the way of promoting the best performer.
- (ii) When young employees get ahead of other senior employees in an organization (based on superior performance), frustration and discontentment may spread among the ranks. They may feel insecure and may even quit the organization.
- (iii) Also, past performance may not guarantee future success of an employee. Good performance in one job (as a Foreman, for example) is no guarantee of good performance in another (as a supervisor).

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2. **Seniority-based Promotions:** Seniority refers to the relative length of service in the same organization. Promoting an employee who has the longest length of service is often widely welcomed by unions because it is fairly objective. It is easy to measure the length of service and judge the seniority. There is no scope for favouritism, discrimination and subjective judgement. Everyone is sure of getting the same, one day.

In spite of these merits, this system also suffers from certain limitations. They are:

- (i) The assumption that the employees learn more with length of service is not valid as employees may learn upto a certain stage, and learning capabilities may diminish beyond a certain age.
- (ii) It demotivates the young and more competent employees and results in greater employee turnover.
- (iii) It kills the zeal and interest to develop, as everybody will be promoted without showing any all-round growth or promise.
- (iv) Judging the seniority, though it seems to be easy in a theoretical sense, is highly difficult in practice as the problems like job seniority, company seniority, zonal/regional seniority, service in different organizations, experience as apprentice trainee, trainee, researcher, length of service not only by days but by hours and minutes will crop up.

### Promotion Policy

Seniority and merit, thus, suffer from certain limitations. To be fair, therefore, a firm should institute a promotion policy that gives due weightage to both seniority and merit.

To strike a proper balance between the two, a firm could observe the following points:

- Establish a fair and equitable basis for promotion, i.e., merit or seniority or both.
- A promotion policy established thus should provide equal opportunities for promotion in all categories of jobs, departments and regions of an organization.
- It should ensure an open policy in the sense that every eligible employee is considered for promotion rather than a closed system which considers only a particular class of employees. It must tell the employees the various avenues for achieving vertical growth through career maps, charts, etc.
- The norms for judging merit, length of service, potentiality, etc., must be established beforehand. The relative weightage to be given to merit or seniority or both should also be spelt out clearly.
- The mode of acquiring new skills, knowledge, etc., should be specified to all employees so that they can prepare themselves for career advancement.
- Appropriate authority should be entrusted with the responsibility of taking a final decision on promotion.



- Detailed records of service, performance, etc., should be maintained for all employees, to avoid charges of favouritism, nepotism, etc.
- It should be consistent in the sense that it is applied uniformly to all employees, irrespective of their background.
- Promotion policy should contain alternatives to promotion when deserving candidates are not promoted due to lack of vacancies at higher level. These alternatives include up-gradation, re-designation, sanctioning of higher pay or increments or allowances assigning new and varied responsibilities to the employee by enriching the job or enlarging the job.
- A provision for appeal against (alleged) arbitrary actions of management and its review should be there.
- Promotions initially may be for a trial period so as to minimize the mistakes of promotion.
- Promotion policy, once it is formulated, should be communicated to all employees, particularly to the trade union leaders. It should be reviewed periodically, based on the experiences and findings of the attitude and morale surveys.

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### 5.6 Transfers

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

#### Purposes of Transfer

Organizations resort to transfers with a view to serve the following purposes:

- **To Meet the Organizational Requirements:** Organizations may have to transfer employees due to changes in technology, changes in volume of production, production schedule, product line, quality of products, changes in the job pattern caused by change in organizational structure, fluctuations in the market conditions like demands fluctuations, introduction of new lines and/or dropping of existing lines. All these changes demand the shift in job assignments with a view to place the right man on the right job.
- **To Satisfy the Employee Needs:** Employees may need transfers in order to satisfy their desire to work under a friendly superior, in a department/region where opportunities for advancement are bright, in or near their native place or place of interest, doing a job where the work itself is challenging, etc.

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- **To Utilize Employees Better:** An employee may be transferred because management feels that his skills, experience and job knowledge could be put to better use elsewhere.

**To Make the Employee More Versatile:** Employees may be rolled over different jobs to expand their capabilities. Job rotation may prepare the employee for more challenging assignments in future.

**To Adjust the Workforce:** Workforce may be transferred from a plant where there is less work to a plant where there is more work.

**To Provide Relief:** Transfers may be made to give relief to employees who are overburdened or doing hazardous work for long periods.

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

**To Punish Employees:** Transfers may be affected as disciplinary measures – to shift employees indulging in undesirable activities to remote, far-flung areas.

### Types of Transfers

Transfers can be classified thus:

- **Production Transfers:** Transfers caused due to changes in production.
- **Replacement Transfers:** Transfers caused due to replacement of an employee working on the same job for a long time.
- **Rotation Transfers:** Transfers initiated to increase the versatility of employees.
- **Shift transfers:** Transfers of an employee from one shift to another.
- **Remedial Transfers:** Transfers initiated to correct the wrong placements.
- **Penal Transfers:** Transfers initiated as a punishment for indisciplinary action of employees.

### Benefits and Problems

Benefits associated with transfers are given below:

- Improve employee skills;
- Reduce monotony, boredom;
- Remedy faulty placement decisions;
- Prepare the employee for assignments in future;
- Stabilize changing work requirements in different departments/locations;
- Improve employee satisfaction and morale and
- Improve employer-employee relations.

Problems associated with transfers are given below:

- Inconvenient to employees who otherwise do not want to move;
- Employees may or may not fit in the new location/department;
- Shifting of experienced hands may affect productivity, and
- Discriminatory transfers may affect employee morale.

Transfers have to be carried out in a systematic way, with a view to avoid allegations of discrimination and favouritism. Some of the above cited problems associated with transfers could be avoided, if organizations had formulated a definite transfer policy, for use at different points of time.

### **Transfer Policy**

Organizations should clearly specify their policy regarding transfers. Otherwise, superiors may transfer their subordinates arbitrarily if they do not like them. It causes frustration among employees. Similarly, subordinates may also request for transfers even for the petty issues. Most of the people may ask for transfer to risk less and easy jobs and places. As such, organization may find it difficult to manage such transfers. Hence, an organization should formulate a systematic transfer policy. A systematic transfer policy should contain the following items:

- Specification of circumstances under which an employee will be transferred in the case of any company initiated transfer.
- Name of the superior who is authorized and responsible to initiate a transfer.
- Jobs from and to which transfers will be made, based on the job specification, description and classification, etc.
- The region or unit of the organization within which transfers will be administered.
- Reasons which will be considered for personal transfers, their order of priority, etc.
- Reasons for mutual transfer of employees.
- Norms to decide priority when two or more employees request for transfers like priority of reason, seniority.
- Specification of basis for transfer, like job analysis, merit, length of service.
- Specification of pay, allowances, benefits, etc., that is to be allowed to the employee in the new job.
- Other facilities to be extended to the transferee like special leave during the period of transfer, special allowance for packaging luggage, transportation, etc.

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- Generally, line managers administer the transfers and HR managers assist the line managers in this respect.

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### 5.7 Employment Policies in India

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Following are the various employment policies in India:

1. The employment policy must provide both fuller and more productive employment. For this, it must aim at higher levels of production through a proper combination of large volume of employment and higher labour productivity.

The ultimate solution to the unemployment problem in India lies in the growth of production. Here the measures for the growth of production should be implemented in such a way that they should be helpful in increasing the level of employment.

That is why for India, those productivity raising programmes are not suitable which substitute machinery for labour, thus adding to unemployment problem. So we have to adopt labour intensive techniques for increasing production in the various sectors of the economy.

Similarly, those employment programmes, also, are unsuitable for India, which do not contribute to the growth of production in the country. India is not the country for employment generating programmes of “digging the holes and filling up these again” variety. Thus, in India growth of production is of crucial importance for the solution to the problem of unemployment.

2. To the above end employment policy must aim at higher rate of capital formation with a proper mix of employment generating and productivity raising investment. It must also seek to improve the response of output to capital formation (that is, a decline in incremental capital-output ratio).
3. Employment generation should be built into the normal process of development and should generally avoid inefficiently executed crash employment programmes.
4. In view of the great importance of self-employment, the system of comprehensive production assistance to farmers may be further strengthened and made more accessible to marginal and small farmers. The programme of assistance to the self-employed, engaged in non-agricultural activities, may also be suitably strengthened and made duly selective.
5. Emergence of serious inter-sectoral disproportions in the economy which have an adverse impact on employment in the affected sectors may be avoided through greater efficiency in planning and implementation.
6. Seasonal unemployment may be reduced to low levels by generating employment opportunities for labour rendered surplus in the agricultural slack season.
7. Technological unemployment may be kept down to the minimum by suitable retraining programmes for those who are affected by the technological changes.

8. Educated unemployed may be contained by accelerated all round industrialization of the economy including modernization of agriculture, and by an effective reform of the educational system.
9. A more efficient functioning of the Employment Exchanges may be ensured with a view to reduce the frictional unemployment to a minimum level.
10. Measures may be implemented for raising the employment opportunities for women in the organized sector.

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## **5.8 Employee Benefits**

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Companies provide their employees and workers with a variety of benefits. These benefits are basically forms of value or services that are provided by an employer to his employees for their contribution in the performance of the organization. Such benefits are an important component of a company's remuneration package for attracting and retaining its employees. The benefits serve as incentives to the employees and encourage them to work harder for the organization. These also help in building up employee job satisfaction.

These benefits may be financial or non-financial, long term or short term, free or at concessional rates. They may include educational, residential, medical or recreational facilities. Such facilities may be provided individually or collectively and inside or outside the organization. Thus the employee benefits are the comforts and the facilities given to employees to enable them to work in a healthy and peaceful atmosphere.

The employee benefits of a company generally include:- (i) A remunerative wage structure which motivates the employees to contribute their maximum worth to the enterprise; (ii) bonus to the employees either on festive occasions or as a reward for their contribution in the high performance of the firm; (iii) Social security benefits for employee welfare in the form of provident fund, gratuity, medical facilities, compensation and insurance policies; (iv) different types and number of leaves so that the employees may revitalize themselves and contribute their best effort to the organization; (v) employees who wish to voluntarily retire from an organization are provided with several benefits under the voluntary retirement scheme.

Given the various types of employee benefits, a firm may design, administer and manage a comprehensive benefit package for its employees depending on its work culture and organizational set up.

### **Wages**

Wages refer to the total pay package which an employee receives on a periodic basis. A healthy, competent and devoted work force is the most precious asset of a successful organization. In order to obtain, retain and develop such workforce or employees, it is

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necessary that they are suitably rewarded for their services. A remunerative wage structure is the dominating force, which motivates employees to contribute their maximum worth to the enterprise. While determining such wage rates an organization may take into consideration the following factors:

- The most important being the bargaining capacity of the employer and employees.
- Standing of the particular organization and its financial capacity to pay higher wages.
- The prevailing rates of wages for similar type of work in the market (i.e., level of competition) as well as the prevailing condition of the economy.
- If a job requires specialized skills and training, wages should be accordingly higher.
- The nature and type of the work done by the workers. For example, higher wage rates should be paid for complicated and hazardous jobs.
- Productivity of workers like workers who are more efficient and experienced should get higher wages.

Given the above considerations, the three important methods of wage payment may be as follows:

- **Time Rate System:** It is one of the simplest and oldest methods of wage payment. Under it, remuneration is based upon the amount of time spent on the work. The wage rate increases with an increase in hours of work done and vice-versa. Here wages are calculated on hourly, daily, weekly, monthly or yearly basis and are usually prescribed in advance.
- **Piece Rate System:** This method takes into consideration the efficiency of the workers. Under it, wages are based upon the amount of work done by the workers. The wage rate rises or falls with increase or decrease in the output of the worker. Here wage rates are prescribed per piece.
- **Incentive Wage Plan:** It is the coordinated form of both the above mentioned methods for wage payment. Under it, the workers get additional wages based upon their efficiency in addition to the minimum guaranteed wages. Incentive wage rate rises or falls with increase or decrease in the quantity of production.

In India, setting up of “The Committee on Fair Wage” was a major landmark in the history of formulation of wage policy. Its recommendations set out the key concepts of the “living wage”, “minimum wage” and “fair wage”, besides laying down the guidelines for wage fixation. ‘Minimum wage’ is the wage which provides for the bare sustenance of life and preservation of the efficiency of the work. ‘Living wage’ is the wage which provides a standard of living to the workers. ‘Fair wage’ is the wage which is above the

minimum wage but below the living wage. According to it, workers should get reasonable and fair wages, which are sufficient to meet the needs of the worker and his family.

Still there is no uniform and comprehensive wage policy for all sectors of the economy. Wages in the organized sector are determined through negotiations and settlements between employer and employees. But, in an unorganized sector, minimum rates of wages are fixed both by Central and State Governments in the scheduled employments falling within their respective jurisdictions under the provisions of the Minimum Wages Act, 1948. Minimum Wages under Central sphere are enforced through Central Industrial Relations Machinery (CIRM). At the State level, the State Industrial Relations Machinery ensures enforcement of the Minimum Wages Act. The Act binds the employers to pay to the workers the minimum wages so fixed from time to time.

Another legislation, the Payment of Wages Act, 1936 was enacted to regulate payment of wages to workers employed in industries and to ensure a speedy and effective remedy to them against illegal deductions and/or unjustified delay caused in paying wages to them. The Act decides about the wage period upto which wage payment is to be made. All wages must be paid in current legal tender. The wages can also be paid by cheque or credited to the employees' bank accounts. The enforcement of the Payment of Wages Act is mainly the responsibility of the State Governments. The Act was amended by The Payment of Wages (Amendment) Act, 2005.

### **Voluntary Retirement Scheme (VRS)**

In the present globalized scenario, right sizing of the manpower employed in an organization has become an important management strategy in order to meet the increased competition. The voluntary retirement scheme (VRS) is the most humane technique to provide overall reduction in the existing strength of the employees. It is a technique used by companies for trimming the workforce employed in the industrial unit. It is now a common method used to dispense off the excess manpower and thus improve the performance of the organization. It is a generous, tax-free severance payment to persuade the employees to voluntarily retire from the company. It is also known as 'Golden Handshake' as it is the golden route to retrenchment.

In India, the Industrial Disputes Act, 1947 puts restrictions on employers in the matter of reducing excess staff by retrenchment, by closures of establishment and the retrenchment process involved lots of legalities and complex procedures. Also, any plan of retrenchment and reduction of staff and workforce is subjected to strong opposition by trade unions. Hence, VRS was introduced as an alternative legal solution to this problem. It allows employers including those in the government undertakings, to offer voluntary retirement schemes to off-load the surplus manpower and no pressure is put on any employee to exit. The voluntary retirement schemes were also not subjected to not vehement opposition by the Unions, because the very nature of its being voluntary

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and not using any compulsion. It was introduced in both public and private sectors. Public sector undertakings, however, have to obtain prior approval of the government before offering and implementing the VRS.

A business firm may opt for a voluntary retirement scheme under the following circumstances:

- Due to recession in the business.
- Due to intense competition, the establishment becomes unviable unless downsizing is resorted to.
- Due to joint-ventures with foreign collaborations.
- Due to takeovers and mergers.
- Due to obsolescence of Product/Technology.

Though the eligibility criteria for VRS varies from company to company, but usually, employees who have attained 40 years of age or completed 10 years of service are eligible for voluntary retirement. The scheme applies to all employees including workers and executives, except the directors of a company. The employee who opts for voluntary retirement is entitled to get forty five days emoluments for each completed year of service or monthly emoluments at the time of retirement multiplied by the remaining months of service before the normal date of service, whichever is less. Along with these benefits, the employees also get their provident fund and gratuity dues. Compensation received at the time of voluntary retirement is exempt from tax under section 10 (10C) of the Income Tax Act, 1961 upto the prescribed amount upon fulfilling certain stipulated conditions. However, the retiring employee should not be employed in another company or concern belonging to the same management.

The companies can frame different schemes of voluntary retirement for different classes of their employees. However, these schemes have to conform to the guidelines prescribed in rule 2BA of the Income-tax Rules. The guidelines for the purposes of section 10(10C) of the Income-tax Act have been laid down in the rule 2BA of the Income-tax Rules. The guidelines provide that the scheme of voluntary retirement framed by a company should be in accordance with the following requirements, namely:

- It applies to an employee of the company who has completed ten years of service or completed 40 years of age;
- It applies to all employees (by whatever name called), including workers and executives of the company excepting Directors of the company;
- The scheme of voluntary retirement has been drawn to result in overall reduction in the existing strength of the employees of the company;
- The vacancy caused by voluntary retirement is not to be filled up, nor the retiring employee is to be employed in another company or concern belonging to the same management;



- The amount receivable on account of voluntary retirement of the employees does not exceed the amount equivalent to one and one-half months' salary for each completed year of service or monthly emoluments at the time of retirement multiplied by the balance months of service left before the date of his retirement on superannuation. In any case, the amount should not exceed rupees five lakh in case of each employee, and
- The employee has not availed in the past the benefit of any other voluntary retirement scheme.

Some companies offer very attractive package of benefits to the employees who opt for VRS. For example, the VRS scheme may also include providing counselling to employees about their future; managing of funds received under the scheme; offering rehabilitation facilities to them, etc.

A company may make the following announcements while implementing a voluntary retirement scheme:

- The reasons behind downsizing the organization.
- The eligibility criteria for voluntary retirement scheme.
- The age limit and the minimum service period of employees who can apply for the scheme.
- The benefits that are offered to the employees who offer to retire voluntarily.
- The rights of the employer to accept or reject any application for voluntary retirement.
- The date up to which the scheme is open.
- The income tax benefits and income tax incidence related to the scheme.
- It should also indicate that the employees who opt for voluntary retirement and accept the benefits under such scheme shall not be eligible in future for employment in the organization.

Voluntary Retirement Schemes have been legally found to be giving no problem to employers, employees and their unions. But, the retrenchment plans of an organization must be compatible to its strategic plans. Its procedure and reasons for introduction must be discussed with all management staff including top management. One need to identify departments or employees to whom VRS is applicable and thereby formulate its terms and conditions and also state the benefits that would be available to those who took VRS. Such information should be made available to every employee of the organization, mentioning the period during which the scheme will be open. Also, existing employees might face insecurity because of fear of losing their job too. One of the possible drawbacks of the VRS is that the efficient employees would leave the company while

the inefficient may stay back. Thus it is the responsibility of the employer to motivate them and remove their apprehensions and fears.

### **Bonus**

#### Notes

Bonus refers to the extra lump sum income, awarded by an organization to its employees usually on an annual basis. It may be provided to the employees on special occasions like festivals, New Year and other important celebrations. Some firms even distribute bonus to its employees as a token for their contribution in the high performance of the firm. All such gestures by an enterprise help in boosting the confidence of the employees in their efforts as well as in the organization.

In India, the payment of bonus by an establishment is governed by the Payment of Bonus Act, 1965. The Act imposes statutory liability upon the employers of every establishment covered under the Act to pay bonus to their employees. According to the Act, the term 'employees' means any person employed on a salary or wage not exceeding certain prescribed amount per month in an industry to do any skilled or unskilled, manual, supervisory, managerial, administrative, technical or clerical work for reward.

The Act applies to every factory where 10 or more workers are working and every other establishment in which 20 or more persons are employed, on any day during an accounting year, excluding employees covered under Life Insurance Corporation of India (LIC), port and dock workers, universities, etc.

Under the Act, every employee is entitled to be paid by his employer a bonus in an accounting year subjected to the condition that he/she has worked for not less than 30 working days of that year. However, this bonus shall be payable by employer only when the employer derives profit from running organization as bonus is payable out of these profits. Also, wherever the salary or wage of an employee exceeds a particular mentioned amount (per annum), the bonus payable to such employee shall be calculated as if his/her salary or wage was equal to that particular amount only.

The Act further provides for payment of minimum and maximum bonus and linking the payment of bonus with the production and productivity. Every employer shall pay minimum bonus at the rate of 8.33% of the salary or wages earned by an employee in a year or one hundred rupees, whichever is higher. Here it is not required that the employer has any allocable surplus in the accounting year. Whereas, when the allocable surplus exceeds the amount of minimum bonus payable to the employees, the employer shall in lieu of such minimum bonus, be bound to pay bonus equivalent to the amount in certain proportion of salary or wages earned by employees.

Such a benefit in the form of bonus serves as an incentive to the employee to work harder and contribute his best for the growth of the organization.

## Leave

Leave refers to the absence of an employee from his duty or work because of some unavoidable reasons and with due permission of the employer or the organization. Workers in every organization should be provided with a sufficient number of leaves so that they may refresh and revitalize themselves and contribute their best effort to the organization. Leave policy may vary from one company to another depending upon its work culture and organizational set up. The important features of a leave policy may be:

- The leaves may be computed on a yearly or monthly basis.
- The number and types of leave are fixed in advance for each organization. The total number of leaves may vary from 15 days to a month in a year. If the number of leaves for an employee exceeds the permitted number, there is deduction from the salary of equivalent amount. The types of leave in a company may be: casual leave; leave for academic work; medical leave; maternity leave or study leave, etc.
- The un-utilized leaves may lapse at the end of the year or may be carried forward to the next year.
- The payment mode for each leave day may be full payment or half payment.

In some organizations, there is a provision of Leave Encashment benefit in addition to other benefits provided by the employer to their employees. Leave encashment is a lump sum amount payable to the employees or their dependents on retirement, death, disablement, etc. It is generally provided at the end of the year and it also includes medical leave encashment. But such a provision can be a huge liability to the company. Hence, LIC (Life Insurance Corporation) of India has introduced Group Leave Encashment Scheme which helps the employers in funding their leave encashment liability by paying a yearly premium to LIC. Under this scheme, the Company has to submit the employees' data and rules for Leave Encashment to LIC. In turn, LIC will make actuarial valuation and find out the funding requirements of the company. The company will contribute as per the advice of LIC. A small term insurance premium will be charged in addition to contributions for funding. This scheme has the following benefits:

- Employee, the amount of encashment of leaves during the service will be paid from the fund of the scheme maintained with LIC.
- On the death of an employee, in addition to his/her leave encashment benefit, his/her family will be entitled to the amount of insurance cover, which will be tax-free.

A business firm should formulate a proper leave policy for its employees because on one hand it will be beneficial for its workers and on the other hand it will profitably influence the productivity and performance of the company itself.

## Social Security

Social security is one of the key components of labour welfare. Labour welfare refers to all such services, amenities and facilities to the employees that improve their working conditions as well as standard of living. Social security benefits provided by an enterprise should protect not only their employees but also their family members through financial security including healthcare. Social security envisages that the employees shall be protected against all types of social risks that may cause undue hardships to them in fulfilling their basic needs.

In India, provision for social security to the workers occupies a very important place in the industrial set up. It is included in our Constitution under the Directive Principles of State Policy. It thus makes the 'State' bear the primary responsibility for developing an appropriate system for protecting and assisting its workforce. Hence, a Social Security Division has been set up under the Ministry of Labour and Employment. The division deals with framing of social security policy for the workers, administration of all the legislations relating to social security and implementation of the various social security schemes. Social Security to the workers is provided through the five Central Acts: (i) The Employees' State Insurance Act, 1948; (ii) Employees' Provident Funds & Miscellaneous Provisions Act, 1952; (iii) The Workmen's Compensation Act; (iv) The Maternity Benefit Act; and (v) The Payment of Gratuity Act. In addition, there are a large number of welfare funds for certain specified segments of workers such as beedi workers, cine workers, construction workers, etc.

The social security package broadly covers two categories of labour welfare measures: (i) those relating to the medical facilities, compensation benefits and insurance coverage to the employees; (ii) those relating to the provident fund and gratuity provisions. It thus consists of all types of preventive, promotional and protective measures for labour welfare.

### Provident Fund

Provident fund is a fund that provides benefits to the employees of a company (who are members of the fund), upon termination of their employment. Both employees and employer are required to make contributions to the fund in accordance with the predetermined rates. To become eligible for membership of the fund, a worker must have completed one year's continuous service or have worked for 240 days during a period of 12 months. The employees have to contribute at a certain rate of the basic wage, dearness allowance and retaining allowances. Similarly, employers also contribute at the same rate.

In India, the governing Act relating to provident fund is the Employees' Provident Funds & Miscellaneous Provisions Act, 1952 (EPF & MP Act). It was enacted with

the main objective of making some provision for the future of the industrial workers after their retirement and for their dependents in case of death. This Act applies to the whole India except Jammu & Kashmir. It is applicable to every establishment which is engaged in any one or more of the industries specified in Schedule I of the Act or any activity notified by Central Government in the Official Gazette and employing 20 or more persons. The Act provides insurance to workers and their dependents against risks of old age, retirement, discharge, retrenchment or death of the workers.

Presently, three schemes are in operation under the Act and are administered by the Central Board of Trustees. The three schemes taken together provide to the employees an old age and survivorship benefits, a long term protection and security to the employee and after his death to his family members, and timely advances including advances during sickness and for the purchase/construction of a dwelling house during the period of membership. These three schemes are as follows:

- 1. *Employees' Provident Fund Scheme, 1952:*** This seeks to provide financial security for employees in an establishment by providing a system of compulsory savings. The scheme covers employees getting wages not exceeding ₹ 6,500 per month. The scheme takes care of following needs of the members of the fund: (i) Retirement;(ii) Medical Care;(iii) Housing; (iv) Family obligation;(v) Education of Children; and (vi) Financing of Insurance Policies. However, a death relief fund has been set up under the Employees' Provident Fund Scheme to provide relief to the nominees or heirs to the deceased member.
- 2. *Employees' Deposit Linked Insurance Scheme, 1976:*** The Central Government with the motive of providing additional Social Security in the form of Life Insurance to the family of the deceased member of the Provident Fund, introduced the Employees Deposit Linked Insurance Scheme. Under it, on the death of an employee, while in service, who is the member of the Employees' Provident fund, the persons entitled to receive the provident fund accumulations would be paid an additional amount equal to the average balance in the provident fund account of the deceased during the preceding 12 months.
- 3. *Employees' Pension Scheme, 1995 (replacing the Employees' Family Pension Scheme, 1971):*** A pension (also known as superannuation) is a retirement plan intended to provide a person with a secure income for life. It can also be defined payments or benefits attributable to employees at the time of retirement, during old age, at the time of permanent disablement or in the form of family pensions in case of death of the worker, etc. The Employees' Pension Scheme was introduced for the industrial workers wherein pension at the rate of 50% pay is payable to the employees on retirement on completion of 33 years contributory service. A minimum 10 years' service is required for entitlement to pension. In case of death

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of an employee, the scheme provides for grant of pension to family members on the basis of salary and service of the employee. The scheme was financed by diverting a portion of the employers' and employees' contribution to the Employees Provident Funds with an additional contribution by the Central Government.

The Employees' Provident Funds & Miscellaneous Provisions Act, 1952 (EPF & MP Act) is administered by the Central and State Governments along with the Central Board of Trustees and Committees and Employees Provident Fund Organization (EPFO). The Employees' Provident Fund Organization (EPFO), India, is one of the largest provident fund institutions in the world in terms of members and volume of financial transactions that it has been carrying on. It is an autonomous tripartite body under the control of Ministry of Labour, Government of India with its head office in New Delhi. The EPFO aims to extend the reach and quality of publicly managed old-age income security programmes through its consistent efforts and ever-improving standards of compliance and benefit delivery system to its members. This way it seeks to contribute to the economic and social well-being of the country.

### Compensation

Compensation may be defined as the amount payable by the employer to the employees for injuries sustained by them in the course of their employment. It covers the medical expenses or any other expenses incurred by the employees in the course of doing the work-related activities.

Compensations are usually paid either as base pay and/or as a variable pay. The 'base pay' implies that the amount of compensation is based on the role played by an employee in the organization and in the market showing the expertise required to conduct that role. Under it, all retirement benefits like superannuation, provident fund, gratuity, and house rent allowances are proportionate to basic salary. Whereas 'variable pay' means that the amount of compensation is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals.

In India, the law governing the provisions of compensation is the Workmen's Compensation Act, 1923 (WC Act). The Act is administered by State Governments through Commissioners for Workmen's Compensation. The Act provides for the compensation to the workman or his family in cases of employment related injuries resulting in death or disability. It includes persons employed in factories, mines, plantation, mechanically propelled vehicles, construction works and certain other hazardous occupations. The amount of compensation to be paid depends on the nature of the injury and the average monthly wages and age of workmen. The minimum and maximum rates of compensation payable for death (in such cases it is paid to the dependents of workmen) and for disability have been fixed and is subject to revision from time to time.

The Workmen's Compensation Act, 1923 was amended by the Workmen's Compensation (Amendment) Act, 2000. Under this amendment, the workmen or their family members will get the compensation money at the enhanced rate if they die or get disabled.

Many insurance companies have also designed certain policies relating to compensation insurance. For example: Workmen's Compensation Insurance by United India Insurance Company Limited. Under it an employer is required to pay compensation to his workers who receive injuries or contract occupational diseases during the course of their work. Such compensation is payable under the Workmen's Compensation Act. An employer may obtain an insurance policy to cover such liability. The premiums are payable usually on the basis of wages. It is also known as 'Employers' Liability Insurance'. This policy provides insurance against the following risks:

- Indemnity to be insured against his liability as an 'employer' to accidental injuries (including fatal) sustained by the 'workman' while at work.
- On extra premium-medical, surgical, and hospital expenses including the cost of transport to hospital for accidental employment injuries.
- Liability in respect of diseases mentioned under the Workmen's Compensation Act, on additional premium, which arise out of and in the course of employment.

### **Gratuity**

Gratuity is a lump sum payment made to the employees based on the duration of their total service. The gratuity benefit is payable on cessation of employment (either by resignation, death, retirement or termination, etc.) by taking the last drawn salary as the basis for the calculation. However, in case of death of the employee, his/her family members are given the amount. It is a form of gratitude provided to the employees in monetary terms for the services rendered by them to the organization and is an important form of social security benefit. Gratuity payment liability of the employer tends to increase with an increase in the salary and tenure of employment. The employer may pay the gratuity proceeds from his current revenue. Some organizations have also set up a gratuity fund as a part of their financial planning. Also, many insurance companies have designed special schemes which relate to gratuity. For example, LIC (Life Insurance Corporation of India) has Group Gratuity(Cash Accumulation)Scheme that provides convenient way of funding statutory obligation of an employer under the Payment of Gratuity Act.

The law governing gratuity in India is the Payment of Gratuity Act, 1972 (P.G. Act). The Act applies to factories, mines, oil fields, plantations, ports, railways, motor transport undertakings, companies, shops or other establishments. The main provisions of the Act are as follows:

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- Employers are statutorily liable to pay amount of gratuity equivalent to 15 days of last drawn basic salary. It becomes payable to the employees who have completed five years of uninterrupted services in an organization. After five years, if workers work more than 6 months but less than a year, it is calculated as another one year. But if they work less than 6 months after five years, it will not be considered as another year. For computing gratuity, the number of working days in a month is considered 26 days. This is done to provide benefit to the employees as it increases the amount of gratuity to be paid. The last drawn basic pay is divided by 26. The amount so obtained is multiplied by 15 to compute the amount of gratuity per year.
- The gratuity received upto the limit of ₹ 3,50,000 is liable to be exempted from taxation under the Income Tax Act. The exemption is, however, not available for payment of gratuity when the employee is still in service. Gratuity received from a previous employer is to be pooled with gratuity received from the present employer for computing exemption limit.
- In case of any other employee, not covered under the Act, the gratuity received by an employee on retirement, death, termination, resignation or on his becoming incapacitated prior to his retirement is exempt from tax to the extent of the least of the following:
  - ₹ 3,50,000
  - Gratuity actually received, or
  - Half month's salary for each completed year of service.
- Average Salary is calculated on the basis of average salary of 10 months immediately preceding the month in which an employee is retired. The salary for the purpose is calculated as basic salary plus dearness allowance plus commission on fixed percentage of profit.
- Since the gratuity is a statutory service condition, the Act provides for the punishment of the employer who fails to pay it to an employee. Moreover, in case of misconduct of the employee involving financial loss to the management, an amount equal to the loss directly suffered by the employer by reason of such misconduct is liable to be forfeited from the gratuity due to the employee.

### **Insurance**

Insurance may be defined as a contract in writing under which one party agrees to indemnify the other party against a loss or damage suffered by it on account of an uncertain future, in return for a consideration called 'premium'. The person/business that gets its life/property insured is called 'Insured/Assured'. The agency which helps in entering into an insurance arrangement is called 'Insurer' or 'Insurance Company'. The agreement or contract which is put in writing is called 'policy'.



Insurance cover for the employees of a company is an important aspect of social security benefits package. It includes insurance policies relating to medical benefits, compensation to workers as well as provident funds. Accordingly, many insurance companies have designed certain policies which provide such insurance cover to the employees. For example:

- ***Workmen's Compensation Insurance by United India Insurance Company Limited:*** Under it an employer is required to pay compensation to his workers who receive injuries or contract occupational diseases during the course of their work. Such compensation is payable under the Workmen's Compensation Act. An employer may obtain an insurance policy to cover such liability. The premiums are payable usually on the basis of wages. It is also known as 'Employers' Liability Insurance'. This policy provides insurance against the following risks:
  - Indemnity to insured against his liability as an 'employer' to accidental injuries (including fatal) sustained by the 'workman' while at work.
  - On extra premium-medical, surgical, and hospital expenses including the cost of transport to hospital for accidental employment injuries.
  - Liability in respect of diseases mentioned under the Workmen's Compensation Act, on additional premium, which arises out of and in the course of employment.

Similarly, Employers' Liability Policy is provided by the New India Assurance Company Limited. Their policy covers statutory liability of an employer for the death of or bodily injuries or occupational diseases sustained by the workmen arising out of and in course of employment.

The Government of India has enacted the Employees' State Insurance Act, 1948 (ESI Act) which relates to employee insurance. The Act envisages an integrated need based social insurance scheme that would protect the interest of workers in contingencies such as sickness, maternity, temporary or permanent physical disablement and death due to employment injury resulting in loss of wages or earning capacity. The Act also guarantees reasonably good medical care to workers and their immediate dependents. The Act provides several social security benefits which include medical benefits, maternity benefits, etc. The Act further absolved the employers of their obligations under the Maternity Benefit Act, 1961 and Workmen's Compensation Act 1923. The insurance scheme under the Act is tailored to suit the health insurance requirements of workers providing full medical facilities to the insured persons and their dependents.

The Central Government has set up the Employees' State Insurance Corporation (ESIC) to administer the schemes under the ESI Act. It is the premier Social Security Organization in the country. The corporation comprises members representing Central

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and State Governments, Employers, Employees, Parliament and the medical profession. The functions of the Corporation are to provide medical care and treatment, cash benefits during sickness, maternity and employment injury and pension for dependents on the death of the workers due to employment injury.

There is also an important Central Government Employees' Group Insurance Scheme (CGEGIS) which provides the Central Government employees with the two-fold benefit: (i) insurance cover to help their families and (ii) lump sum payment to augment their resources on retirement. All the employees', who had entered Central Government Service after 1st November, 1980 are compulsorily covered under the scheme from the date it came into force, i.e., from 1st January, 1982.

### **Medical**

Medical refers to the healthcare facilities provided by a business enterprise to its employees in case of their sickness, accident or diseases. The healthcare facilities may include a proper arrangement for the treatment of the employees and their dependents, on free or concessional rates. The organizations may provide for regular medical check-ups of the employees, atleast once a year. The employees may also be provided with: (i) medical allowances; (ii) reimbursement of medical expenses; (iii) medical leave, etc.

The Centre organizes facilities for healthcare of its employees and pensioners living in the capital and other major cities through Central Government Health Scheme and public hospitals. The medical facilities under the scheme are available to all the employees paid from the civil estimates and their family members residing in the area covered by the scheme. An employee can opt out of the scheme and avail of the medical facilities provided by the employer of his spouse. If an employee or a member of his family covered under the Scheme falls ill at a place not covered under CGHS, the treatment shall be admissible under Central Services (Medical Attendance) Rules, 1944. These Rules are applicable to all government employees other than (i) those in Railway Service, and (ii) those of non-gazette rank stationed in or passing through Kolkata, whose conditions of service are prescribed by rules made or deemed to have been made by the Central Government, when they are on duty, leave or foreign service in India or when under suspension.

Medical facilities of a company also include the maternity benefits provided to the women employees. Accordingly, the Maternity Benefit Act, 1961 (M.B. Act) was enacted to provide medical facilities to pregnant women employees. The Act aims to achieve uniformity in matters relating to maternity protection and applies to all factories, mines and plantations, except to those on whom the Employees' State Insurance Act, 1948 applies. The Act provides that pregnant women workers should not be dismissed and discharged during the period of maternity leave. It contains provisions for: (i) payment

of cash maternity benefit to the women employees for certain periods before and after child birth (ii) 12 weeks maternity leave; medical bonus and certain other benefits. The Act is administered by both Central and State Governments.

Since, access to good medical care is usually quite expensive and involves huge costs; employers may also provide medical insurance to their employees. Many insurance companies have also designed certain policies which provide medical insurance cover to the employees. For example:

Workmen's Compensation Insurance by United India Insurance Company Limited: Under it an employer is required to pay compensation to his workers who receive injuries or contract occupational diseases during the course of their work. Such compensation is payable under the Workmen's Compensation Act. An employer may obtain an insurance policy to cover such liability. The premiums are payable usually on the basis of wages. It is also known as 'Employers' Liability Insurance'. This policy provides insurance against the following risks:

- Indemnity to insured against his liability as an 'employer' to accidental injuries (including fatal) sustained by the 'workman' while at work.
- On extra premium-medical, surgical, and hospital expenses including the cost of transport to hospital for accidental employment injuries.
- Liability in respect of diseases mentioned under the Workmen's Compensation Act , on additional premium, which arises out of and in the course of employment.

Similarly, Employers' Liability Policy is provided by the New India Assurance Company Limited . Their policy covers statutory liability of an employer for the death of or bodily injuries or occupational diseases sustained by the workmen arising out of and in course of employment.

A safe work environment and a healthy workforce play a very important role in building the foundation of a successful business organization.

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## **5.9 Separation: Needs and Methods**

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Employee separation is a process which ensures that an employee who is leaving the organization makes his exit in a structured and systematic manner. Several companies take this process very seriously and therefore have a dedicated department to handle the exit of employees from the organization. There are two types of employee exits. They are:

- Voluntary separation
- Involuntary separation
- **Voluntary separation:** When an employee leaves the company on his or her own accord, it is known as voluntary separation. This type of separation is the

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most common in organizations. In this type of separation, an employee gets most of the benefits and perquisites due to him or her.

- **Involuntary separation:** However, in times of recession, the act of the management's request to an employee to leave the organization has become quite common. This type of employee separation is known as involuntary separation. In this type of separation, a separation package might be given to the employee. However, if the separation is due to a disciplinary issue, the employee might not get anything at all.

### **The Process of Employee Separation**

The employee separation process begins from the moment the employee puts forward his notice to the employer about his intention to leave the organization. In earlier times, this process, usually known as 'putting in one's papers', was done by submitting a formal resignation letter. However, in recent times, resignation is generally given through email.

Once the employee gives his/her notice to leave the organization, the human resource (HR) department of the company 'freezes' all the financial transactions and records of the employee. The employee's manager is responsible for ensuring that the employee has properly handed over or completed the tasks assigned to him/her.

The notice period usually ranges from one to three months. However, this depends on the level at which the employee is working and the policies of the organization. Moreover, the employee's manager should have a proper handover plan, which should cover all aspects of closing out on the work that the employee was assigned.

### **Participants in the Employee Separation Process**

Usually, the process of employee separation takes place along two parallel tracks. One track involves the employee and the manager who is responsible for ensuring that the tasks assigned to the employee have been handed over or completed properly. The other track involves the employee and the HR department dedicated for the separation process, who handle the employee benefits, such as provident fund (PF), gratuity (if applicable), etc.

The separation process requires the HR manager at every step and in the final exit interview. The final exit interview is conducted to assess the reasons as to why the employee is leaving the company. It also takes the views of the employee on work and in general. The employee is also asked to give the 'de-motivating factors', if any, that might have been the reason for him/her to leave.

In recent years, the service sector is witnessing high levels of attrition. As a result, it has become essential for organizations to have a structured process of separation for systematic exits of employees. Organizations should ensure that this process is dealt with in a professional and mature manner, especially without any bias.

## **Dismissal**

Dismissal is the process of separating a worker where the employer asks the employee to leave, generally for the fault of the employee. The term is used in the colloquial sense as 'getting fired' in America and 'getting sacked' in Britain.

## **Lay-off**

Lay-off means the inability or refusal of a company to provide job to an employee on the grounds of shortage of coal, power, or raw materials, or the breakdown of machinery. A laid-off employee is not retrenched. In a lay-off, the name of the employee must be in the muster rolls on the date they have been laid off.

## **Retrenchment**

Retrenchment means the termination of service of an employee for any reason; but it certainly isn't a punishment imposed as a disciplinary action. The job can be either terminated due to economy, installation of labour-saving machinery or other any such industrial or trade reasons. Usually, the employee is given a month's notice in writing or is offered payment in place of such notice.

## **Termination**

Termination of job can be two types: 1. Voluntary termination, 2. Involuntary termination. Also termed as the 'pink slip', job termination happens at the hand of the employer. The terminations that occur due to a mutual agreement between the company and the worker are termed as involuntary terminations. The end of an employment contract for a particular period of time is one such example. There are also age-related job terminations, where the employee leaves the company as he reaches the pre-determined age of retirement.

## **Suspension**

A company resorts to suspension of an employee for the violation of company policy, or major breaches of policy. Work suspensions happen when a reporting manager or supervisor considers an action of an employee, to be a violation of policy that should amount to punishment. Depending on the company's policy, it might decide not to pay the employee during the suspended period. Some companies which have paid suspensions will bar the worker from coming to work but will still offer pay.

## **Death or Incapacity**

In the case of a death of person, the company provides death benefits to the surviving members of the deceased. The benefits may come in the form of cash payments, where the family is provided some monetary relief, besides the monthly pension. In case of labourers, who die during their working tenure, their spouse or child is appointed in their place.

And when an employee is unable to perform any gainful employment due to some physical or mental disability, illness, physical injury, advanced age, or intellectual deficiency, the company initiates the separation method. Generally, the companies provide for the employees who are separated on grounds of incapacity.

### **Voluntary Retirement Scheme**

The voluntary retirement scheme (VRS) was initiated to off-load excess manpower without putting any pressure on the employee to quit. Usually, employees who have attained 40 years of age or completed 10 years of service are eligible for this scheme. The scheme can be availed by all employees, including workers and executives, barring the directors of a company. Anybody who opts for voluntary retirement is permitted 45 days emoluments for each completed year of service. Or they are entitled to monthly emoluments at the time of retirement multiplied by the left over months of job before the normal date of service, whichever is less. In addition, the employees also receive their provident fund and gratuity dues. The compensation gained at the end of VRS is not taxable, on the condition that the retiring employee is not employed elsewhere.

### **Golden Handshake**

Golden handshake method is the way of a company asking its senior executive to leave in lieu of a huge sum of payment. A very profitable separation agreement is offered to the employee as an incentive to retire. A golden handshake is usually offered for loss of employment through layoffs, firing or even retirement. The company may offer several ways to make payment, such as cash, or stock options.

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## **5.10 Trade Unions**

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Under the Trade Unions Act, 1926, employees (including association of employers) are registered to form trade unions for collective bargaining. The Act gives the registered trade unions certain protection and privileges.

### **Scope and coverage**

The extent of this Act is the entire country. All kinds of unions aiming at regularizing the labour-management relations come under the fold of this Act. According to Section 2(h) of the Act, a 'trade union' regulates not only the relations between employees and employers but also between employees and their colleagues.

The Act is a central enactment but it is administered by and large, by the state governments. Trade unions whose objectives are not restricted to one state, are the subject of the Central Government. The state government shall appoint a Registrar of trade unions assisted by Additional or Deputy Registrars, for each State. The state government shall also make regulations for enforcing the provisions of the Act.

Although it is not necessary to register a trade union, it is desirable since a trade union which registered is entitled to certain rights and privileges. As many as seven workers of a company can form a trade union. The executive committee of the union should be constituted according to the provisions of the Act. The rules of the trade union should clearly mention its name and objects, the purposes for which its funds can be used, provision for maintenance of a list of members, procedure for admission of ordinary, honorary or temporary members, rate of subscription (being not less than – 0.25 per member), procedure for amending or rescinding rules, manner of appointing executive committee and other office-bearers, safe custody of funds, audit and inspection of account books, procedure for dissolution of the union and changing its union. After all the requirements have been fulfilled, the Registrar shall register the trade union.

### **Who can be a Member**

All persons who have attained the age of 15 years, are eligible to be a member of a registered trade union, subject to the rules of the union.

### **Appointment of office-bearers**

At least 50 per cent of the office bearers of a union should be employed in the industry related to the trade union. Outsiders such as lawyers, politicians, social workers, etc. can constitute the remaining 50 per cent. For being appointed as an office bearer, one must be:

- (a) 18 years old or above; and
- (b) should not been convicted by a court of law.

### **Cancellation of Registration**

The registration of a trade union can be cancelled if an application has been forwarded for its cancellation. The Registrar can cancel a trade union by giving at least 2 months' notice under any of the following circumstances.

- (a) if registration has been obtained by fraud or mistake
- (b) if the union has ceased to exist
- (c) if it has wilfully contravened any of the provisions of the Act; or
- (d) if any rule which is required under Section 6, has been deleted.

### ***Legal status of a Registered Trade Union***

1. A trade union is a corporate body with perpetual succession and a common seal.
2. It can acquire, hold, sell or transfer any movable or immovable property and can be a party to contracts.

### **Dissolution of Trade Union**

A notice of dissolution signed by any seven members and the secretary of the Union should be sent to the Registrar within 14 days of the dissolution. If the Registrar is satisfied, the notice will be registered and the union will be dissolved.

### **Obligations**

1. The registered trade union should spend its fund on payment of salaries, allowances and expenses of its office-bearers, expenditure incurred on administration and audit, allowances for death, old age, sickness, accident or unemployment of its members, publication of labour journals, etc. A separate political fund to further civic and political interests may be set up.
2. The account books and membership register of the trade union should be kept open for inspection by any of its members or office-bearers.
3. The Registrar should receive a copy of every alteration made in the rules within a fortnight of making the alternation.
4. The Registrar should receive annual statement of receipts and expenditures and assets and liabilities of the union for the year ending on 31st December.

### **Rights of Registered Trade Unions**

A trade union has a right to demonstrate. A trade union has a right to appeal against an order of the Registrar either refusing or cancelling registration, to the Civil Court/High Court, within the prescribed time.

### **Multiplicity of Trade Unions**

According to the Trade Unions Act, 1926, in India, any seven persons can form a union. This Act allows such people to raise issues, such as initiate arguments, file suits and even bargain with employers. As there are no limits to the formation of unions in one organization, small sections of workers form separate unions.

Although a strong union fights for the welfare and interest of the workers, and helps in organizational stability and growth, the existence of several trade unions in one institution may act as a barrier in collective bargaining. As a result, the growth and welfare of the both the employees and the organization may be affected.

#### Issues due to multiplicity of trade unions

Several trade unions in one organization can result in several problems, affecting the growth and stability of both the workers and the organization. Some of these issues are:

- Limited representation
- Inter-union opposition
- Limited representation: Multiplicity of trade unions in an organization have small portion of the total workforce. Each union has its own issues and requirements. As a result, it is difficult for all the unions to unite as a single body and make a single list of demands. The multiple trade unions therefore make the bargaining power of the workers very weak.



- Inter-union opposition: Multiple trade unions in an institution also lead to inter-union contention. Unions try every possible measure to get a stronger hold on the workers. This results in the loss of interest of the workers in unionism. In such situations, deceitful employers take advantage of this rivalry and may refuse to bargain saying that there is a lack of a strong representative union.

### **Workers Participation in Management**

Workers' participation is a broad concept. It has been differently viewed by sociologists, psychologists, economists and lawyers. Sociologists view workers' participation as an instrument of varying potentialities to improve industrial relations

and promote industrial peace. Psychologists consider participation as a mental and emotional involvement of a person in a group situation which encourages workers to share managerial responsibility.

Being a dynamic subject, no rigid limits can be laid down for workers' participation for all industries and for all times. It can be elastic enough to include workers' representation even at the top level, namely, board of directors. It can also be confined to the extremely limited domain of consultation at the lowest level such as 'to promote measures for securing and preserving amity and good relations between the employer and workmen and to that end, to comment upon matters of their interest or concern and endeavour to compose any material difference of opinion in respect of such matters.'

Workers' participation in management has been classified into five stages. These are informative, consultative, associative, administrative and decisive participations, the extent of each depending upon the quality of management and the character of the employee.

K.C. Alexander has, however, suggested different modes of workers' participation, viz. (i) collective bargaining, (ii) joint administration, (iii) joint decision-making, (iv) consultation, and (v) information sharing.

According to Kenneth F. Walker, various forms of workers' participation in management are ascending participation, descending participation, disjunctive participation and informal participation. In ascending participation, workers may be given an opportunity to influence managerial decisions at higher levels, through their elected representatives to works committee, shop or joint council or board of the establishment. In descending participation, they may be given more powers to plan and make decisions about their own work. They may participate through collective bargaining. They may also participate informally, when for example, a manager adopts a participative style of supervision of workers. These and other forms of participations have played a significant role in transforming the scope and concept of workers' participation.

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## 5.11 Collective Bargaining

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Two important agents for institutionalization of conflict are trade unions and collective bargaining. Collective bargaining can help to institutionalize conflict by encouraging labour to work under certain guidelines, by persuading them to accept the need for a compromise and by leading them to believe that gains can be made within the confines of the present system.

Collective bargaining is concerned both with determining the price of labour and the conditions under which labour works. Through collective bargaining, trade unions seek not only to secure high wages but to reduce the impact of arbitrary management decision on their members.

Collective bargaining is distinct feature of the modern industrial era. Collective bargaining is defined to cover the negotiation, administration, interpretation, application and enforcement of written agreements between employers and unions representing their employees setting forth joint understandings as to policies and procedures governing wages, rates of pay, hours of work and other conditions of employment. The process of collective bargaining is called bargaining because each side applies pressure on the other. Mere representation of views for consideration is not bargaining. The best known forms of pressures are threats of strikes and lockouts.

Collective bargaining is a process of voluntary agreement. Agreement comes when one or both of the parties would rather accept the other's terms than face the consequences. The term 'collective bargaining' was coined by Sidney and Beatrice Webb, the famous historians of the British labour movement in 1891. It is an extremely useful shorthand term for describing a continuous, dynamic, institutional process for solving problems arising directly out of employer-employee relationship.

The practice of collective bargaining has developed from the theory that the individual employee as such is an ineffective participant in the labour market. He has neither the knowledge nor the resources to take advantage of the best opportunities for disposing of his services. Under these circumstances if the worker acts in his individual capacity he is most likely to receive a lower level of compensation for his services. These limitations on the ability of an individual worker might be removed either through Government interference or through collective bargaining. Government may fix up wages of an individual worker. Collective bargaining is a technique which seeks to determine the rates of pay without the arbitrary control of Government. For this reason it is regarded as democratic means of achieving the compensation of human services. The practice of collective bargaining has developed mainly because individual workers have been given economic advantages to be gained in such co-operative markets. It is through collective bargaining that workers improve their positions in the labour markets.

Collective bargaining represents a situation in which the essential conditions of employment are determined by a bargaining process undertaken by representatives of a group of workers on the one hand and of employers on the other. It is called 'collective' because employees pool their interests and bargain as a group and employers may also act as a group rather than as individuals. In collective bargaining, individual employees make the union their agent and accept the terms and conditions arranged by their representatives and employers recognize the union and its officers as the business representatives of their employees.

Prof. Slichter has rightly pointed out that collective bargaining does more than merely establish a few simple working conditions. It actually defines a broad area of civil rights in industry by providing for both managerial and union action according to specified rules rather than arbitrary and capricious decisions. It sets up a system of 'industrial jurisprudence' in relationships between employers and employees. It thus provides an objective declaration of labour policy governing specified areas of employment relationships.

Collective bargaining is an institutional process of representations. The chief participants in collective bargaining do not act for themselves. They are representatives of their respective institutions. In collective bargaining the employer does not deal directly with his worker. He deals with an institution authorized to represent the workers for the purposes of negotiating and administering the terms and conditions of employment. This representative nature of the organized union- management relationship applies to contract administration as well as to negotiation. Collective bargaining is a complex process because it involves psychology, economics, politics and power.

Collective bargaining may occur at several levels. At the shop-floor level, it may take place between shop stewards and plant management and is called 'workplace bargaining' or 'plant bargaining.' At the level of the company, it may take place between unions and management and has been designated as 'company bargaining.' At the level of an industry, it may take place between a union or federation of unions and an employers' association. This type of bargaining is called 'national bargaining.' In addition to 'formal bargaining,' there may be 'informal bargaining' exerting marked impact in organizational settings. Further the collective bargaining may be on ad-hoc basis or permanent basis.

The conclusion of collective bargaining is the collective agreement or 'labour contract.' It is the written statement of the terms and provisions arrived at by collective bargaining. It is either a mimeographed document or a small printed booklet.

From a functional standpoint, collective bargaining may be regarded as an institutional process for (i) fixing the price of labour; (ii) establishing a system of industrial jurisprudence and (iii) providing machinery for representation of the individual and group interests of employees under the contract.

## Notes

There are three kinds of collective agreements in India. First, there exists agreements arrived at in voluntary negotiations between the management and unions. Second, there is collective bargaining arrangement legally designated as a 'settlement.' This type of bargaining is arrived at conciliation proceedings and is accordingly tripartite in character. Thirdly, there is an agreement called 'consent awards.' They are negotiated between the conflicting parties when a dispute is really proceeding or pending before an industrial court and thereafter included in the adjudicators' award.

### **Features of Collective Bargaining**

Collective bargaining is regarded as a constructive response to industrial conflict as it reflects a willingness to remove the conflicts by discussion and understanding rather than by warfare.

Collective bargaining is not an ideal system. At best, it is an imperfect institutional process that works reasonably well in an imperfect society. No one has now come forth with any alternative procedure that will work better. Collective bargaining is necessarily a pragmatic process.

1. It is a two-way process. It is a mutual give and take rather than take it or leave it method of arriving at the settlement of a dispute. Both parties are involved in it. A rigid position does not make for a compromise settlement. Collective bargaining is a 'civilized confrontation' with a view to arriving at an agreement, for the object if not 'warfare' but 'compromise.'
2. It is a continuous process which provides a mechanism for continuing an organized relationship between the management and trade unions. Collective bargaining begins and ends with the writing of a contract.
3. Collective bargaining is not a competitive process but it is essentially a complementary process.
4. Collective bargaining is a negotiation process and it is a device used by wage earners to safeguard their interests. It is an instrument of an industrial organization for discussion and negotiation between the two parties.

### **Prerequisites for Successful Collective Bargaining**

Certain conditions must be satisfied for collective bargaining to be effective. These are as follows:

1. The parties must attain a sufficient degree of organization. If the workers' organization is weak, employers can say that it does not represent the workers and will refuse to negotiate with it. Unless the workers are able to form strong and stable unions, collective bargaining will not be successful.
2. Freedom of association is essential for collective bargaining. Where there is no freedom of association, there can be no collective bargaining. Freedom of

association implies that the workers as well as the employers will have the right to form an organization of their own to protect their interests.

3. There should be mutual recognition between both the groups. Collective bargaining cannot begin if the employers do not recognize the workers' organization. The conflict of interests makes the two groups hostile to each other. They must recognize each other and realize that adjustment and understanding is essential for the achievement of organizational goals.
4. There must exist a favourable political climate, essential for successful collective bargaining. If the government encourages collective bargaining as the best method of regulating conditions of employment, it will be successful. Where the governments restrict trade union activities, there can be no collective bargaining.
5. Agreement must be observed by those to whom they apply. The workers' organization must be strong enough to exercise its authority over its members. If the trade union has no power over its members, collective bargaining will not be effectively implemented.
6. A give and take policy must prevail in the organization. The difference between two parties can be adjusted only by compromise so that an agreement can be reached. Neither side should be too rigid on its demand. Their attitudes should be flexible and both sides should be ready to give up some of its demands. Unions should not rigidly insist upon unreasonable demands and should be ready to reduce its demands to come to an agreement.
7. Sometimes unfair labour practices are resorted to by both the employers and the trade unions. These will restrict the development of collective bargaining. Unfair labour practices should be avoided by both the sides, as this will create an atmosphere of goodwill.

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## **5.12 Discipline Administration**

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In so far as maintenance of effective employee discipline is concerned, the HR manager has got a crucial role to play. He has got a number of responsibilities in this regard.

1. Advising and assisting top line management in determining and developing an appropriate disciplinary procedure.
2. Assisting in communication of the disciplinary procedure to all employees of the organization.
3. Making sure that the disciplinary policy conforms to the legal provisions.
4. Making sure that the disciplinary action is fair and conforms with appropriate principles of personnel management.
5. Training the supervisors and executives in dealing with disciplinary cases and problems.

Notes

Analysing the role of the HR manager in regard to employee discipline, the Indian Institute of Personnel Management indicates - 'In advising management whether to proceed with a disciplinary case, the personnel officer must give careful thought to the likely repercussions on discipline and general relationship in the organization. Even when there is a prima facie case against an employee, it is to be considered whether an enquiry, with all the publicity and excitement that it causes, is advisable, or whether some other line of action might prove more effective in improving discipline for the future, such as consultation with the trade union or works committee in the hope that social pressure may be brought on the delinquent to apologize and not repeat the offence'.

### **Grievances Handling**

A grievance procedure is a formal process which is preliminary to an arbitration which enables the parties involved to attempt to resolve their differences in a peaceful, orderly and expeditious manner.

The Code of Discipline adopted by the Indian Labour Conference in 1957 laid down that the management and unions should establish, upon a mutually agreed basis, grievance procedure which would ensure a speedy and full investigation leading to a settlement. At present, the Model Grievance Procedure in India provides for five successive time bound steps, each leading to the next unless the aggrieved employee prefers an appeal .

**Step I:** The aggrieved employee verbally explains his grievance to his immediate supervisor or in a conference or a discussion specifically arranged for the purpose. The employee seeks satisfaction from his supervisor. The supervisor must give his answer within forty-eight hours of the presentation of the complaint. The grievance can be settled if the supervisor has been properly trained for the purpose, and if he adheres strictly to a basic problem-solving method.

**Step II:** The second step begins when the grievance is not settled by the supervisor. If the employee does not receive an answer within the stipulated time or he is not satisfied with the answer, he shall either in person or with his departmental representative present his grievance to the head of the department designated for this purpose. The head of the department is generally the chief business manager, a superintendent or an industrial relations officer who goes into the grievance and gives his decision on the matter. He is required to furnish his answer within three days of the presentation of the grievance.

**Step III:** If the employee is not satisfied with the answer, he can approach the grievance committee which shall evaluate the case and make its recommendations to management within seven days of presentation of the case. The grievance committee is composed of some fellow-employees, the shop steward or a combination of union and management representatives. The committee may suggest any one of the possible solutions:

- It may call upon the grievant to accept the employer's proposed settlement. o It may advise him that the trade union will not press for anything more than has already been suggested.
- In some cases, it may recommend that the issue be submitted for arbitration. o The employee would be informed about the recommendation with three days.

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**Step IV:** If the committee fails to take a decision within the stipulated period or if the employee is not satisfied with the decision, he can make an appeal for revision to management. Management is supposed to communicate its decision within seven days of the worker's revised petition.

**Step V:** If the employee is dissatisfied with the management's decision, union and management may refer the grievance for voluntary arbitration within a week of the receipt of management's decision by the aggrieved employee. The parties may agree beforehand that the arbitrator's award will be final and binding on both the parties.

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### 5.13 Summary

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Job enrichment is an attempt to motivate employees by giving them the opportunity to use the range of their abilities. Job enrichment has its roots in Frederick Herzberg's two-factor theory, according to which two separate dimensions contribute to an employee's behaviour at work—hygiene factors and motivators.

Job enrichment provides many opportunities for people's development. You'll give them lots of opportunities to participate in how their work gets done, and they'll most likely enjoy an increased sense of personal responsibility for their tasks. Job enlargement is another method of job design. When any organization wishes to adopt proper job design it can opt for job enlargement. Job enlargement involves combining various activities at the same level in the organization and adding them to the existing job.

Promotion refers to upward movement of an employee from current job to another that is higher in pay, responsibility and/or organizational level. Promotion brings enhanced status, better pay, increased responsibilities and better working conditions to the promotee.

A transfer is a change in job assignment. It may involve a promotion or demotion or no change at all in status and responsibility. A transfer has to be viewed as a change in assignment in which an employee moves from one job to another in the same level of hierarchy, requiring similar skills, involving approximately same level of responsibility, same status and same level of pay.

Employee separation is a process which ensures that an employee who is leaving the organization makes his exit in a structured and systematic manner. The employee separation process begins from the moment the employee puts forward his notice to

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the employer about his intention to leave the organization. Dismissal is the process of separating a worker where the employer asks the employee to leave, generally for the fault of the employee. Under the Trade Unions Act, 1926, employees (including association of employers) are registered to form trade unions for collective bargaining. The Act gives the registered trade unions certain protection and privileges.

The employment policy must provide both fuller and more productive employment. For this, it must aim at higher levels of production through a proper combination of large volume of employment and higher labour productivity. Companies provide their employees and workers with a variety of benefits. These benefits are basically forms of value or services that are provided by an employer to his employees for their contribution in the performance of the organization. Wages refers to the total pay package which an employee receives on a periodic basis. A healthy, competent and devoted work force is the most precious asset of a successful organization.

In India, setting up of “The Committee on Fair Wage” was a major landmark in the history of formulation of wage policy. Its recommendations set out the key concepts of the ‘living wage’, “minimum wage” and “fair wage”, besides laying down the guidelines for wage fixation. In India, the Industrial Disputes Act, 1947 puts restrictions on employers in the matter of reducing excess staff by retrenchment, by closures, etc.

In India, the payment of bonus by an establishment is governed by the Payment of Bonus Act, 1965. The Act imposes statutory liability upon the employers of every establishment covered under the Act to pay bonus to their employees. Social security is one of the key components of labour welfare. Labour welfare refers to all such services, amenities and facilities to the employees that improve their working conditions as well as standard of living. It includes components like provident fund, medical, gratuity, insurance and compensation.

Psychologists consider participation as a mental and emotional involvement of a person in a group situation which encourages workers to share managerial responsibility. Collective bargaining is defined to cover the negotiation, administration, interpretation, application and enforcement of written agreements between employers and unions representing their employees setting forth joint understandings as to policies and procedures governing wages, rates of pay, hours of work and other conditions of employment. A grievance procedure is a formal process which is preliminary to an arbitration which enables the parties involved to attempt to resolve their differences in a peaceful, orderly and expeditious manner.

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### 5.14 Glossary

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- **Job enrichment:** It is the addition to a job of tasks that increase the amount of employee control or responsibility. It is a vertical expansion of the job as opposed to the horizontal expansion of a job, which is called job enlargement.



- **Job Enlargement:** It is the horizontal expansion of a job. It involves the addition of tasks at the same level of skill and responsibility.
- **Replacement Transfers:** Transfers caused due to replacement of an employee working on the same job for a long time.
- **Penal Transfers:** Transfers initiated as a punishment for indisciplinary action of employees.
- **Promotion:** It brings enhanced status, better pay, increased responsibilities and better working conditions to the promotee.
- **Wages:** It refers to the total pay package which an employee receives on a periodic basis.
- **Voluntary Retirement Scheme:** It is the most humane technique to provide overall reduction in the existing strength of the employees.
- **Bonus:** It refers to the extra lump-sum income, awarded by an organization to its employees usually on an annual basis.
- **Lay-off:** It means a temporary or permanent discharge of a worker or workers.
- **Golden Handshake:** It is a payment given to someone who is made redundant or retires early.
- **Trade Unions:** They are organized association of workers in a trade, group of trades, or profession, formed to protect and further their rights and interests.
- **Collective Bargaining:** It means the negotiation of wages and other conditions of employment by an organized body of employees.
- **Leave:** It refers to the absence of an employee from his duty or work because of some unavoidable reasons and with due permission of the employer or the organization.
- **Provident Fund:** It is a fund that provides benefits to the employees of a company (who are members of the fund), upon termination of their employment.
- **Gratuity:** It is a lump sum payment made to the employees based on the duration of their total service.

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### 5.15 Review Questions

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1. Explain the process of job enrichment.
2. Discuss the advantages of job enrichment vis-à-vis job enlargement.
3. What is the difference between job enrichment and job enlargement?

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4. What are the basics of promotion?
5. Define Transfer.
6. What are the types of transfer?
7. Discuss the concept of job enrichment and job enlargement.
8. Explain the concept of promotion. Provide a suitable example related to term.
9. Describe the concept of transfers. Explain it in detail.
10. State the employment policies of India.
11. What do you mean by employee benefits? Discuss in Indian context.
12. What are different wage systems followed in India?
13. Discuss the policies concerning Provident Fund and Gratuity in India.
14. State the policies regarding medical and insurance in India.
15. What is involuntary separation?
16. What is retrenchment?
17. What are the issues related to the multiplicity of trade unions?
18. Write a short-note on workers' participation in management.
19. Discuss the process of employee separation.
20. Describe the Trade Union Act in detail.
21. What is collective bargaining? Discuss its features as well as the prerequisites of successful collective bargaining.
22. Describe the procedure for grievance handling.

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### 5.16 Further Readings

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- Aswathappa K., *Human Resource and Personnel Management*, Fifth edition, Tata McGraw Hill
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