Bachelor of Business Administration
(B.B.A.)

BBA - 302

HUMAN RESOURCE MANAGMENT

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This goes without saying that human resource is the most important asset of any Organisation and unlike other resources the human resources could be developed and increased to a limitless extent. Human resources mean the energies, skills, knowledge and physical strength of the people at work. Human resources comprise the value of the productive capacity of entire work force of any Organisation. To be specific and brief, human resource refer to the aggregate of knowledge, skill, experience and health of employees working in any Organisation. And development of human resource accounts for the development of human side of the organisation. The word HUMAN has five letters and each letter speak of a distinct characteristic of human being as under:

H Hears
U Understands
M Moves
A Adjusts
N Negotiates

Management is absolutely essential in the present times in all organizations, irrespective of their origin, nature and ownership. Every enterprise, established with profit motive or some social, religious or such like other purpose, requires efficient management for its sustained progress. But, management has been viewed differently by various scholars, depending upon their belief and comprehensions. Some regard it as the force that runs a business and in responsible for its success or failure. Others perceive it as a means for achievement of desired results through group efforts and by utilising both
human and non-human resources. Still others deem management to be a process comprising planning, organising, staffing, directing and controlling. Also, some look on it as an instrument for designing and maintaining an environment conducive to the performance of individuals who are working together in a group towards the accomplishment of some predetermined objectives.

Furthermore, some think that management merely implies certain tasks which the managers are supposed to perform. Thus, there are numerous, opinions on what ‘management’ actually involves. And, no description, however, lengthy would be considered satisfactory for fully and finally deducing the universally acceptable connotation of this term.

While an agreement on the exact definition of management has not been reached any definition of management must include three common factors: Anil Kumar: goals, limited resources and people.

First goals are necessary because activities must be directed towards some end.

Second, there are limited resources. Economic resources are scarce; therefore, the manager is responsible for their allocation. This requires not only that managers be effective in achieving the goals that are established, but they are efficient in relation to output to input. Managers then are concerned with the attainment of goals, which makes them effective and with best allocations of scarce resources, which makes them efficient.

The need for two or more people is the third and last requisite for management. It is with and through people that managers perform their work.

Now, let us move from the broad topic of management to the more specific topic of human resource management.

**What is Human Resource Management**

Human Resource Management is concerned with the “people” dimension in management. Since every organisation is made up of people, acquiring their services, developing their skills, motivating them to high level of performance
and ensuring that they continue to maintain their commitment to the Organisation are essential to achieving organizational objectives. This is true regardless of type of Organisation Government, business, education, health, recreation or social action. Those organisation that are able to acquire, develop, stimulate and keep outstanding workers will be both effective, able to achieve their goals, and efficient (expanding the least amount of resources necessary). Those organisation that are inefficient and ineffective risk the hazards of stagnating or going out of business.

According to Thomas G. Spates, HRM is a code of the ways of organizing and treating individuals at work so that they will get the greatest possible realisation of their intrinsic abilities, thus attaining maximum efficiency for themselves and their group and thereby giving to the enterprise of which they are a part its determining competitive advantage and its optimum results.

George Terry has succinctly stated that HRM is concerned with the obtaining and maintaining of a satisfied work force. He further clarified that HRM is concerned with maximizing the effectiveness of the work force through application of sound and proved personnel policies and practices.

According to Dale Yoder, HRM is the function or activity aiding and directing working men and women in maximizing their contributions and satisfactions in employment. It helps ‘workers’ including all those who work, from unskilled common labourers to corporation presidents or public administrators, - combine their efforts with those of others in providing the administrators - combine their efforts with those of others in providing the services and products we all want.

In the words of Flippo, HRM is the planning organising, directing, and controlling of the procurement, developments, compensation, integration and maintenance and separation of human resources to the end that individual, organisational and societal objective are accomplished.

According to process system view, human resources management is the systematic planning, development, and control of a network of interrelated
process affecting and involving all members of organisation. These process include:

- Human resources planning
- Job and work design
- Staffing
- Training and development
- Performance appraisal and review
- Compensation and reward
- Employee protection and representation
- Organisation improvement

According to another view, human resource management refers to the practices and policies you need to carry out the people aspects of your management job. These includes:

- Conducting job analysis
- Planning labour needs and recruiting candidates
- Selecting job candidates
- Orienting and training new employees
- Managing wage and salaries
- Providing incentive and benefits
- Appraising performance
- Communicating
- Training and development
- Building employees commitment

To effectively manage these process, human resources systems are planned, developed and implemented through the combined efforts of all managers and human resources specialists - and frequently all employees - in an organisation. Overall, the systems are intended to achieve organisation-wide
goals and contribute to organisational effectiveness and productivity. From the foregoing definitions it may be concluded that there is no standard definition of the term ‘HRM’, some authorities have defined it in terms of its functions, some others in terms of its objects and some in terms of human relationships. However, there are certain elements which are common to most of these definitions:

(i) HRM aims at getting the best results out of the employees. In other words, it has the overall goal of securing the optimum contribution from the human factor in business.

(ii) It does not, however, follow from above that this modern branch of business management is geared to the exploitation of the employees. Good HRM helps the employees develop their capacities to the full and derive the greatest satisfaction from their work. It, thus, looks to their needs, comforts and grievances, As Scott, Clothier and Sprieged put it, four different angles or elements of the employee-in his-work unit must be given due consideration. There are:

(a) Capacities - referring to those abilities, to those attainments, inherited or acquired, that a worker has, is capable of exercising, and must, to a certain degree at least, exercise in his work.

(b) Interest - not only an individual’s desires, and ambitions, but also his instinctive, impulsive tendencies, vague, bearing, and ill-defined carvings that mayor may not stir him to his fullest action in performing his duties.

(c) Opportunities - not only opportunities for advancement, although, that is included, but opportunities to exercise his capacities and satisfy his interests also.

(d) Personality - the sum total of a worker’s reaction to his experiences and environment. Personality in manifest by an individual’s reception by others. Management has only a minor role in influencing personality, but the worker’s personality has a great influence upon his opportunities.
(iii) Good HRM aims at promoting group satisfaction, building up what is known as team spirit, because it is the joint effort that is more important.

(iv) The work related to human resources is of a continuous nature. In the words of George Terry, it cannot be turned on and off like water from a faucet; it cannot be practiced only one hour each day or one day a week. It required a constant alertness and awareness of human relations and their importance in everyday operations it is, thus, a way of approach, a technique of thinking, a philosophy of management which has to be kept in view at all times and at different levels of the organisation.

Thus, human resource management refers to set of programmes, functions and activities designed and carried out in order to maximize both employees as well as organizational effectiveness.

Objectives

Since HRM is an integral part of management, its main objective is identical with that of latter, survival and growth to help the organisation to achieve its objectives, HRM contributes by assuring a rich, and continuous supply of human resources. Further, to make organisation effective and efficient, HRM aims at coordinated efforts of the competent managers and workers towards the ultimate goal. The general objective of HRM is to contribute towards realization of firms goals. The specific objectives of HRM include the following:

**Efficient utilization of people’s skills and abilities**

HRM aims at utilizing the people’s skill and abilities, in order to achieve organizational as well as individual goals. Efficient utilization of manpower is beneficial not only to the Organisation but also to the employees and consumers. Human resource manager should ensure that necessary action is taken to make the fullest utilisation of manpower.

2. ** Provision of trained and motivated employees**

The human resource manager provides to the Organisation well trained and motivated employees, which is the most valuable asset of an Organisation.
The human resource manager, for achieving this objective, creates an environment which is conducive to the growth of well-trained and well motivated employees. The effectiveness of human resource manager is judged on the basis of right type of person, at right place, at right time for an Organisation.

3. **Increased employees job satisfaction**

   HRM aims at providing facilities for employees thereby ensures job satisfaction of the individuals. This objective focuses on employees needs rather than organizational needs.

4. **Communicating HRM policies to all concerned**

   HRM aims at communicating its policies to all concerned in their own language. Effective communication helps in building organisation image among its employees, Government and public in general. Through effective communication, policies, goals of organisation can be achieved.

5. **Development and maintenance of quality of worklife**

   HRM develops and maintain qualify of worklife that makes work environment more meaningful to the employees life. It is a programme of building an ideal work environment to promote maximum employees satisfaction consistent with maximum organisation growth. The premise of quality of work life is having a work environment where an employee’s activities become more important. This means implementing procedures that make work less routine and more rewarding for the employee. These policies includes autonomy, recognition, belongingness progress and development and external rewards. Autonomy deals with the amount of freedom that employees can exercise in their job. Recognition involves being value by others in the company. An individual contribution to the organisation is noticed and appreciated. Belongingness refers to being part of organisation. Progress and developments refers to internal rewards available from Organisation; Challenge and accomplishment. Finally external rewards which are usually in the form of salary and benefits, also includes promotion, rank and status. Taken together,
these components provides for quality of work life for the individuals. If the quality of work life is lacking, then workers productivity may suffer.

**Scope of Human Resource Management**

Following is the scope of human resource management explained by experts in this area.

1. **Human Resources Planning**

Human Resources Planning is the process of assessing the organisation’s human resources needs in light of organizational goals and making plans to ensure that a competent, stable workforce is employed. The planning process includes an analysis of skill levels among employees and in the external labour market, of current and expected job openings, of plans for expanding or reducing staff throughout the organisation, and of the external legal environment. The planning process, then, is, closely related to the staffing process and depends also on the overall strategic plans of the organisation.

The systems designed to control and direct the human resources planning process include such devices and computerised records of employees’ skills and qualification, forecasts of the number of employees with certain skills who are likely to leave over the next year, analysis of the extent to which affirmative action goals have been met; and confidential organization charts showing possible candidates for promotion to various executive positions.

2. **Job and Work Design**

Job and work design specifies the tasks to be performed by individuals and groups within the Organisation, and establishes the rules, schedules and working conditions under which people perform those tasks. Through careful design, or circumstance, or both, events converge to create jobs to which people are assigned and the conditions surrounding these jobs. Some of the systems used to help manage the process of job design include techniques such as time-and-motion study and work simplification, which aims at making jobs easy to learn and workers more efficient. Other job design systems, such as
job enrichment, involve techniques to restructure jobs to make them more interesting and challenging. Periodic discussions within a work team about the allocation of tasks can be considered a job design system.

3. **Job Analysis**

Job analysis, an outgrowth of job design, is the process of investigating the tasks and behaviour associated with a particular job. Various systems used in job analysis include observations of workers as they perform their jobs, interviews and questionnaires. Typically the information obtained from job analysis is used to write job descriptions and to establish what is required of the person who will perform each job. In turn, job descriptions are useful in the staffing process, especially in recruiting, hiring, and training new employees.

4. **Recruitment**

An Organisation needs people for its present and future vacancies. Recruitment is the process of exploring the sources of suitable People and taking effective measure for obtaining them. It is designed to attract as many candidates as possible from inside and outside the organisation so than an objective selection of the most talented persons can be done.

5. **Selections and placement**

Having identified the candidates eligible for the posts, the management should proceed with the selection of right candidates and their placement. Selection is the process of testing the ability, skill and aptitude of the candidates. It is done to find out those candidates who are best suited to the specific jobs. Placement is the process of assigning a job to an accepted individual for which he is best suited. Selection and placement may or may not occur simultaneously. When candidate are chosen for specific jobs, selection and placement go together, But when a large number of candidates are selected for avoid of jobs, placement is generally done only by importing training.

6. **Socialisation**

After an employee has been selected and placed at a specific job, the next logical step is to introduce him to the culture of the organisation, through
socialization. It is a process of transmitting the key values, norms, policies and objectives of the company to the employees with a view to shaping their attitudes, thought and behaviour and assimilating them into the dominant culture of the company. It enable a new employee to understand the organisation better and makes him or her feel at home at his work environment. This is extremely important to his motivation and performance in the organisation.

7. Training and Development Process

Although the two terms are generally put together, they are not identical in meaning. Training is a learning process that seeks to bring about a permanent improvement in the ability and behaviour of employees by enabling them to learn new skill, knowledge, attitude and behaviour so that they can become better performers. It is mostly intended for operating employees. Development is a much broaden concept than training. It is basically an educational process which is directed to increase the conceptual ability of employees to understand and apply knowledge in terms of cause and effect relationship, in the organizational situation. It is generally intended for managerial, people training and development programmes are essential for enhancing the quality and potential of human resources for improving the standards of performance and productivity of an Organisation.

8. Performance appraisal and review

It is a process of ascertaining how effectively an employee is performing his job. The object of the appraisal is to determine the present state of efficiency of an employee in order to establish the actual need for training and motivation. It also serves to indicate the areas of weakness in employee performance so that measures for skill improvement and prayer motivation may be taken to remedy the situation.

Although performance appraisal is central to training and development programmes, it provides valuable information to the entire spectrum of HRM. It can offer important feedback information on the effectiveness of recruitment, selection, motivation and compensation systems. Hence appraisal methods
should be most carefully chosen and designed to meet the multiple requirements of HRM.

9. **Accommodation**

   The accommodation process refers to the extent to which management listens and responds to or accommodates the needs, wants, and complaints (or grievances) of organization members. People working in organizations expect to be treated fairly; moreover, they feel they have the right to be heard and to be respected as individuals. Morale is severely affected when there is a sense of unfair treatment or when workers perceive that, management does not care about their feelings, complaints, and suggestions. Systems for managing the accommodation process include questionnaires, suggestion boxes, an “opendoor” philosophy and formal grievance procedures. The effectiveness with which the accommodation process is managed varies within organizations and depends on a number of factors, such as prevailing leadership style and management philosophy.

10. **Fair Compensation System**

    A fair compensation system for rewarding the employees is the most important prerequisite to attracting and maintaining the employees. Compensation in a narrow sense refers to the wages and salaries which are paid to the employees in return for their services. But its meaning is often extended to include all kinds of payments and benefits offered to the employees in lieu of their services. However, the amount of money paid to an employee is the most important form of compensation as it enables the receiver to satisfy most of his or her needs. The crucial point about monetary compensation is that it should be fair from the point of view of both the employer and the employee. Although a ‘fair compensation’ is difficult to define, it should be taken to mean the amount that is adequate for the demands and requirements of the job.

11. **Employee Benefits and Services**

    In addition to fair monetary compensation, employees should be provided
with a number of non-monetary benefits and services which are no less important. The benefits are provided mostly in the form of paid holidays and vacations, pensions and retirement benefits, accident and life insurance benefits, etc. Services that are generally offered to the employees include social and recreational activities, medical and transport facilities, housing, credit cooperatives, discounts in purchases and cafeteria. These benefits provided to all the members of an organization regardless of their performance. As such they are intended mainly for the maintenance of employees Research studies indicate that although employees prefer money to anything else, they strongly desire to take a part of their compensation in the form of benefits and services. In most of the cases an employee’s decision to stay with or leave the Organization will be influenced by the number of benefits and services provided. Therefore, an organization should be to offer as many advantages as possible to its employees.

12. **Safety and Health Care Programmes**

Safety and health care programmes are essential to the maintenance of employees. Industrial safety implies that the working conditions in or around the factory or mines should be free from the danger of accidents and health hazards. An accident is a tragic incident which has human, social and economic dimensions. It results in tremendous mental and physical sufferings for the injured apart from the loss of earnings. The organizations suffer enormous financial loss in terms of compensation payable to the injured, damaged equipment and loss of production.

Hence, every precaution should be taken to protect the employees from the damage of accidents. In addition to adequate safety measures, training and education programme should be organized to create safety consciousness among the people. The setting up of a separate safety department can go a long way in eliminating or reducing the hazards of accidents.

A part from accidents, workers in an industrial Organization are often exposed to certain health hazards and occupational diseases. Proper steps like
provision for cleanliness, safe disposal of waste and effluents, proper ventilation and lighting should be taken to protect the health of the employees. Moreover, efficient medical service and recreational activities can greatly contribute to the physical and mental well-being of the employees.

13. **Collective Bargaining**

The collective bargaining process refers to those events that establish a formal agreement between workers and management regarding such matters such as wages and employee benefits, hours of work, working conditions and Grievance procedures. The process includes both the negotiation and administration of the labour-management contract.

14. **Organizational Development**

The integrated approach which is followed for the simultaneous development of people and organization is called organization development (OD). It may be defined as a comprehensive programme of building a climate of improved decision making adaptability and higher performance in an organization the introduction of planned changes. It is, in fact a long-term process of deliberately changing the organization by training and developing managerial people so as to make it more dynamic and effective in meeting the challenge of competition, adaptation and growth. OD programmes are mainly characterized by planned approach to change, emphasis on group rather than individual, participation in external change agents, use of intervention strategy and action research. It includes such complex process as grid training, survey feed back, team building and transactional analysis.

**Role of Human Resources Manager**

The primary task of the HR manager is to ensure that the organization’s human resources are utilized and managed as effectively as possible. Human resource administrators help design and implement policies and programmes that enhance human abilities and improve the organization’s overall effectiveness. Top executives have learned sometimes the hard way - that inattention to
personnel relations and neglect of HR programs are often the cause of poor labour management relations, excessive absenteeism and turnover, lawsuits charging discrimination, and substandard productivity. More and more leaders of public and private organization recognize that people are the organization’s primary resource and acknowledge the HR manager’s role in developing the human resource.

**Significance of Human Resource Management**

Human Resource Management is of utmost important from at least three standpoints, social, professional and individual enterprises.

(i) **Social Significance**

The effective management of human resources is likely to serve the goals of our society. It can serve the following goals:

* It can help to maintain an even balance of jobs and job holders to raise living standards of individuals in society.
* It can help people to avail the best most productive and most gainful jobs where they can be most satisfy and effective.
* It can help to ensure the best protection and conservation of human resources to prevent its wasteful or careless use.
* It can help people to take decisions with minimum direction and control.

(ii) **Professional Significance**

From professional standpoint, the management of human resources is also of great significance. It can provide motivation for effective teamwork by providing desirable working conditions and policies.

Specifically, it can serve following professional goals.

* It can help in maintaining the dignity of individual members.
* It can help in providing maximum opportunities for personality development of each participant in the organization.

(16)
* It can help in improving employees working skills and capacity thereby increasing productivity and standard of living.

* It can provide healthy relationship between different work groups so that work is effectively performed.

* It can ensure conservation of human resources by correcting errors of wrong placement and proper reallocation of work.

(iii) Individual Enterprise Significance

The management of human resource management has also significance from stand points of the objectives of the individual enterprise. It can help the individual enterprise to achieve its goal by

* obtaining capable people through scientific recruitment and selection techniques. Enterprise can identify proper sources of manpower supply and select the suitable candidates among available personnel.

* using proper training and development techniques, the existing manpower can be effectively and efficiently utilized. The proper training and development programmes help the employees to learn new techniques of production, thereby increasing productivity and quality of product. Training programmes also prevent industrial accidents and manpower obsolescence. Thus, ultimately helps in improving organizational climate.

* maintaining the willingness of people to work through equal provisions of opportunities for satisfaction of human needs not only physiological and security but also need of love, esteem and self actualization.

Status of HRM in Indian Industry

The studies in this area have given the status of HRM in India as follows:

1. Most of the companies recognized the significance of the personnel function and paid substantial attention to personnel in their corporate structures.
2. The private sector companies placed greater emphasis on the personnel department than those in the public sector.

3. The average remuneration of employees in the personnel area was at par with that of their counterparts in other functional areas.

4. The status of personnel in the corporate structure of multinationals appeared to be relatively higher as compared to other private sector companies. The proportion of the gross remuneration of employees in the personnel area to that of the gross remuneration of non-personnel employees was found to be double in the case of the former as compared to the latter. The ratio of employees in the personnel area to non-personnel employees was found to be more in the former than in the latter.

5. The personnel executives at the corporate level were highly qualified, most of them were double graduates and several of them possessed post graduate qualifications.

6. In conjunction with the personnel executives performing general personnel functions, there existed several personnel specialists and personnel advisors at the corporate level to facilitate the growth of different aspects of human resource management functions.

7. There existed personnel function in the organization even if it did not have a personnel functionary at the corporate level. Although the initial salary at the enterprise level may not have been as high as at the corporate level, by mere seniority, a labour welfare officer or an establishment officer who performed housekeeping or record keeping functions could reach the salary level, equivalent to the corporate structure. Thus, earning a high salary did not mean that the personnel function with a variety of sub-systems was playing a multifunctional innovative role in an enterprise.

8. Several designations of managers manning the personnel department in companies were found. Perhaps designations reflected the policy and
tradition of an individual company. The use of several designations appeared to be linked with the development of different sub-systems of personnel, management and thus, reflected the scope and status of personnel at corporate level.

9. The employees in the personnel department had more than 40 different designations Personnel Manager, Personnel Officer, Chief Personnel Manager, Chief Personnel Officer, and Industrial Relations Manager were some of the most common designations used in the companies.

10. The personnel director had specialist officers reporting to him. Alternatively, in some cases only one specialist existed as a manpower specialist. The higher the level of the personnel employee in the organization (personnel director), there would be a department built around him embracing both specialists and generalists working in IR and personnel functions. Multifunctional innovative department had an integration of the two streams and was concerned with the formulation and implementation of personnel policy to facilitate the attainment of corporate objectives.

The foregoing analysis of status of HRM in India depends upon a lot of factors such as philosophy of top management of the organization towards the human resources, volume of business and government policies towards human resources.

Questions for Practice


Books for References


LESSON : 3 & 4

MANPOWER PLANNING -
NATURE AND PROCEDURE;
RECRUITMENT METHODS AND TECHNIQUES

Manpower is the most vital factor for the survival and prosperity of the organization. The manpower asset in a firm has the potential to appreciate the value of the firm. Though all the firms buy the same material and machines, the people in a firm make the difference in the final product. So the success of any organization mainly depends upon the quality of its manpower and their performance. Any forward looking management will be concerned with the problem of procuring or developing adequate talent for manning various positions in the organization. The success of a manpower planning process not only helps the organization itself, but also helps the society’s prosperity. The losses a firm suffers from inadequate manpower planning and utilization, is a loss to the nation. When these individual losses are added up the total losses may be very significant to the economy of a nation.

Manpower may be regarded as the quantitative and qualitative measurement of labour force required in an organization and planning in relation to manpower may be regarded as establishing objectives to develop human resources in line with broad objectives of the organization. Thus, manpower planning may be expressed as a process by which the management ensures the right number of people and right kind of people, at the right place, at the right time doing the right things. It is a two-phased process by which management can project the future manpower requirements and develop manpower action plans to accommodate the implications of projections. Thus, we can say that manpower planning is the process of developing and determining objectives, policies and programmes that will develop, utilize and distribute manpower so as to achieve the goals of the organization.

Manpower Planning or Human Resource Planning aims at ascertaining
the manpower needs of the organization both in right number and of right kind. It further aims at the continuous supply of right kind of personnel to man various positions in the organization. Manpower planning is a process of determining and assuring that the organization will have an adequate number of qualified personnel, available at the right times, performing jobs which meet the needs of the enterprise and which provide satisfaction for the individuals involved.

Specific manpower planning duties include:

- estimation of labour turnover for each grade of employee and the examination of the effects of high or low turnover rates on the organization’s performance;
- analysis of the consequences of changes in working practices and hours;
- predicting future labour shortages;
- devising schemes for handling the human problems arising from labour deficits or surpluses;
- introduction of early retirement and other natural wastage procedures;
- analysis of the skills, educational backgrounds, experiences, capacities and potentials of employees.

Effective manpower planning should result in the right people doing the right things in the right place at precisely the right time.

**Significance of Manpower Planning**

The failure in planning and in developing personnel will prove to be a limiting factor in attributing to the organizational objectives. If the number of persons in an organization is less than the number of persons required to carry out the organizational plans, there will be disruptions in the flow of work and the production will also be lowered. But if, on the other hand, some persons are surplus in an organization, they will have to be paid remuneration. The sound personnel policy requires that there should be adequate number of persons of
the right type to attain its objectifies. For this the manpower planner should be concerned with the training and the scheduling of the planning of personnel and persuading the management to use the results of manpower planning studies in the conduct of the business. Every industrial or commercial organization has the need of proper system of manpower planning so as to bring efficiency and economy in the organization. Smaller concerns and those with simpler organizations also require manpower planning though at a small scale. Manpower planning can prove to be an important aid to frame the training and development programmes for the personnel because it takes into account the effects of anticipated changes in technology, markets and products on manpower requirements and educational and training programme requirements.

Manpower planning is relatively a difficult task for the personnel management. It is particularly so in business enterprises which are often subject to forces outside their control such as social, political and economical changes. Manpower is a key resource required for the achievement of business objectives. Materials, equipments, power and other resources can be effectively and efficiently used, only if there is manpower capable of processing them into required goods and services. It takes a long time to develop the manpower of right type to use these resources. Therefore, decisions concerning manpower development must be taken many years in advance. However, management may stick to short periods for rank and file employees, but it will have to concentrate upon the problems of replacing key professional and managerial personnel on a long term basis. In as-much-as many big organizations do prepare long-range forecasts in production, marketing and capital investment, it should not be surprising if it makes long term projections in regard to its personnel. However, manpower plans cannot be rigid or static, they can be modified or adjusted according to the change in the circumstances.

**Advantages of Manpower Planning**

An organisation must plan out its manpower requirements well in advance so that it could complete effectively with its competitors in the market. A well
thought-out-manpower plan provides adequate lead time for recruitment, selection and training of personnel. It becomes all the more crucial because the lead time for procuring personnel is a time consuming process and in certain cases one may not always get the requisite type of personnel needed for the jobs. Non-availability of suitable manpower may result in postponement or delays in executing new projects and expansion programmes which ultimately lead to lower efficiency and productivity further. To be specific, the following are the advantages of manpower planning:

(i) **It Reduces Personnel Costs:** It reduces personnel costs, because of management’s ability to anticipate shortages or surpluses of manpower and correct these imbalances before they become unmanageable and expensive.

(ii) **To Plan the Development of the Employees:** A better basis for planning employees development that is designed to take optimum use of worker’s attitudes within the organisation.

(iii) **Manpower Inventory:** Personnel or manpower inventory can provide information to management for the interval succession of managerial personnel if there is a turnover which is not anticipated.

(iv) **It Helps in Formulating Managerial Succession Plans:** Manpower planning helps in formulating managerial succession plans as a part of the replacement planning process which is a necessitated when job change plans for managers are formulated.

(v) **Thorough Performance Appraisal and Identification:** Manpower planning enables thorough performance appraisals, identification of gaps of the existing manpower so that corrective training could be imparted. Thus, the training programme becomes more effective.

(vi) **Improvement in Business Planning Process:** Further, it leads to the improvement of business planning process.

(vii) **Employment Opportunities:** More employment opportunities
including women and minority groups in future growth plans and identifying the specific development or training programme needed today to make specific skills available tomorrow.

(viii) Greater Awareness Among Workers: Greater awareness among workers is the importance of sound manpower management throughout at all levels of the organisation.

**PROCESS OF MANPOWER PLANNING**

The manpower planning process encompasses the following steps:

1. Job Analysis
2. Skill Inventory
3. Personnel Forecasting
4. Employment Plan
5. Training and Development of Personnel

Manpower planning is a continuous process. The manager responsible for manpower planning has to be concerned doing some exercise in this regard every time. He may have to revise employment plan and training and development programme from time to time depending upon the changes in circumstances such as sudden changes in the volume of production, unexpected high rate of labour turnover, obsolescence of existing skills and so on. A brief explanation of the steps of the manpower planning process in given below:

1. **Job Analysis**

   Job analysis is the qualitative aspect of manpower requirements since it determines the demands of a job in terms of responsibilities and duties and then translates these demands in terms of skills, qualities and other human attributes. It helps in determining the number and kinds of jobs and qualifications needed to fill these jobs because with the help of job analysis it is known that what is the quantum of work which an average person can do on a job in a day.
It facilitates the division of work into different jobs. Thus, it is an essential element of effective manpower planning. At managerial levels, accurate job descriptions help in preparation of inventories of executive talent.

Job analysis may be defined as a process of discovering and identifying the pertinent information relating to the nature of a specific job. It is the determination of the tasks which comprise the job and of the skills, knowledge, abilities and responsibilities required of the worker for successful performance of the job. The process of job analysis is essentially one of data collection and then analyzing that data. It provides the analyst with basic data pertaining to specific jobs in terms of duties, responsibilities, skills, knowledge, etc. Thus data may be classified as follows:

(a) Job identification.

(b) Nature of the job.

(c) Operations involved in doing the job.

(d) Materials and equipment to be used in doing the job.

(e) Personal attributes required to do the job, e.g., education, training, physical strength, mental capabilities, etc.

(f) Relation with the other jobs.

The information relating to a job which is thus classified, if examined carefully, would suggest that some information relates to the job and some concerns the individual doing the job. The requirements of a job are known as Job Description and the qualities demanded from the job holder are termed as Job Specification. Thus job description and job specification are the immediate products of job analysis.

2. **Skill Inventory**

The scarcity of talent, difficulty of discovering it and the time required to develop it fully have forced big organisations to think about their manpower in a systematic way. They attempt to know the inventory of man power resources,
develop and appraise their executives, draw up management succession plans and calculate the replacements that will be needed because of retirements and other causes. To understand the nature of the recruitment and development problems, it is necessary to determine the inventory of different skills and talents existing in the organisation. The management must try to develop in advance the talented employees to occupy the managerial positions in the future. It can not longer rely upon finding talented manpower just when it is needed. Systematic steps must be taken in order to ensure that a reservoir of talent within the organisation must be continuous.

Thus, the identification of manpower potential within the organisation is a critical factor for the long range success of any organisation.

3. Personnel (Manpower) Forecasting

In order to forecast the number of personnel required at a particular plant, the work-load analysis will have to be done, and on the basis of work-load of the plant, work-force analysis will have to be carried out.

(a) Work-load Analysis: In work-load analysis, the manpower planning expert needs to find out sales forecasts, work schedules and thus determine the manpower required per unit of product. The sales forecasts are translated into work performance for the various departments of the enterprise. In a manufacturing enterprise, one shall first find out the master schedule and then hours in terms of different skills required. Workload analysis is used to determine how many employees of various types are required to achieve total production targets. Similarly, plans are made concerning the amount of work that each other part (marketing department, purchase department, etc.) of the organisation is expected to accomplish during the coming year. It is essential to determine the work-load in some tangible units so that they may be translated into manhours required per unit. Past experience can, of course, be utilized for translating work-loads into manhours required.

To take an illustration, let us assume that the annual production budget of a company is 1,00,000 units. The standard manhours required to complete
a unit of the product are 2 hours. The past experience reveals that a worker on an average can contribute about 2,000 hours per year. The work-load may be calculated as under:

(a) Annual Production Budget - 1,00,000 units
(b) Standard Manhours required per unit - 2 hrs. :
(c) Planned Manhours for the year (a x b) - 2,00,000 hrs.
(d) Annual contribution of a worker - 2,000 hrs.
(e) No. of workers required (c/d) - 100

Thus, 100 workers’ are needed throughout the year to meet the production target of 1,00,000 units. But this figure cannot be relied upon fully as the actual production is influenced by many other factors such as availability of inputs and power, breakdown of machinery, strike, lockout, etc. Nonetheless, work-load analysis is quite suitable for short-term projection of manpower requirements. Long-term projections can be made with the help of workforce analysis.

(b) Work-force Analysis: In the above illustration, we came to the conclusion that 100 workers are required to make 1,00,000 units in a year. Assuming that all other factors are favourable, this conclusion is illusory because it is almost certain that all the 100 workers will not be available on all working days because of the two major problems: (i) Absenteeism, and (ii) Labour Turnover. Both these factors operate to rescue the number of workers available. Therefore, it is essential to do the analysis of work-force in the light of these major problems. In other words, it is necessary to keep a sufficient margin for absenteeism, labour turnover and idle time on the basis of past experience. If it is essential to keep a margin of 20% of the manpower required as per work-load analysis, the company must ensure that it has at least 120 workers on its payroll to meet the annual production target.
4. Employment Plan

This phase deals with planning how the organisation can obtain the required number of right types of personnel as reflected by the personnel forecasting. In other words, there is a need to prepare programme of recruitment, selection, training, transfer and promotion so that personnel needs of various departments of the organisation are met.

5. Training and Development of Personnel

The preparation of skill inventory helps in identifying the training and development needs of the organisation. Training for learning new skills and for refreshing the memory is necessary not only for new employees but also for existing employees. Executive development programmes have to be devised for the development of managerial personnel.

RECRUITMENT

Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organisation. When more persons apply for jobs then there will be a scope for recruiting better persons. The job-seekers too, on the other hand, are in search of organisations offering them employment opportunities. Recruitment is a linkage activity bringing together those with jobs and those seeking jobs.

In the words of Yoder, “Recruitment is a process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force”. Recruitment is the process which prompts people to offer for selection in an organisation. This involves locating sources of manpower to meet job requirements. It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation.
Factors Affecting Recruitment

Every organisation, big or small, has to engage in recruitment of persons. A number of factors influence this process. Some factors have been discussed as follows:

1. **Size of Organisation:** The number of persons to be recruited will depend upon the size of an organisation. A big enterprise needs more persons at regular intervals while a small undertaking employs sometimes only. A big business house will always be in touch with sources of supply and shall try to attract more and more persons for making a proper selection. It can afford to spend more amount in locating prospective candidates. So the size of an enterprise will influence the process of recruitment.

2. **Employment Conditions:** The employment conditions in a country greatly influence recruitment process. In underdeveloped countries, employment opportunities are limited and there is no dearth of prospective candidates. At the same time suitable candidates may not be available because of lack of educational and technical facilities. In India, the availability of persons for white collar jobs is large whereas the supply of technical persons is limited. If the supply of persons is more, then selection from large number becomes easy.

3. **Salary Structure and Working Conditions:** The wages offered and working conditions prevailing in an enterprise greatly influence the supply of personnel. If higher wages are paid as compared to similar concerns then the organisation will not face any difficulty in making recruitments. A concern offering low wages will always face to problem of labour turnover.

The working conditions in an organisation will determine job satisfaction of employees. An enterprise offering good working conditions like proper sanitation, lighting, ventilation, etc. will give more job satisfaction to employees and they may not like to leave their present jobs. On the other hand, if employees leave the jobs due to unsatisfactory working conditions there will be a need for recruitment of more persons.
4. **Rate of Growth:** The growth rate of an enterprise also influences recruitment process. An expanding concern will require regular employment of new employees. There will also be promotions of existing employees to higher jobs necessitating the filling up of those vacancies. A stagnant enterprise will recruit persons only when present incumbent vacates his position on retirement, etc.

**Constraints of Recruitment**

An enterprise may not be able to recruit freely even though it offers better salaries and other amenities. A number of constraints may be faced in recruitment which are as follows:

1. **Image of Organisation:** The image of the enterprise in the community largely influences recruitment to it. A prospective candidate may not be interested to get a job in some organisation because its reputation is not good. An enterprise may attract adverse reputation because of undesirable attitude of the management, bad working conditions, etc. Such organisations do not get sufficient number of personnel even if they offer high wages.

2. **Unattractive jobs:** If the job is boring, hazardous, tension ridden, lacking in opportunities for advancement, very few persons will be available for such jobs. On the other hand, if it carries good salaries, has promotional avenues, has good working conditions there will be sufficient persons available for such jobs.

3. **Organisational Policies:** Internal policies of the organisation may also act as a constraint on recruitment of new persons. A policy of filling up higher positions from outside will discourage competent persons to join such an organisation.

4. **Union Requirements:** In some cases, agreements with workers’ union may also act as constraints to employ persons from outside. An understanding with union to fill up certain percentage of posts through it may restrict the choice of management in recruiting on its own.
5. **Government Policies:** Government policies may also act as constraints on recruitment policy. Government legislation may require to reserve certain percentage of posts for weaker sections of society or for persons belonging to specific castes. Another legislation may require the enterprise to recruit new persons only from the lists supplied by government employment exchange. Such legislations restrict the choice of management in recruiting any type of persons.

**SOURCES OF RECRUITMENT**

In general there are two sources of recruitment:

I Internal sources

II External sources

I **Internal Sources**

Internal source is one of the important sources of recruitment. The employees already working the organisation may be more suitable for higher jobs than those recruited from outside. The present employees may help in the recruitment of new persons also. Internal sources are discussed as follows:

1. **Transfers:** Transfer involves shifting of persons from present jobs to other similar places. These do not involve any change in rank, responsibility and prestige. The number of persons does not increase with transfers but vacant posts may be attended to.

2. **Promotions:** Promotions refer to shifting of persons to positions carrying better prestige, higher responsibilities and more salaries. The higher positions falling vacant may be filled up from within the organisation. A promotion does not increase the number of persons in the organisation. A person going to get a higher position will vacate his present position. Promotion avenues motivate employees to improve their performance so that they get promotions to higher positions.
Merits of Internal Sources

1. **Improves Morale:** The internal sources of recruitment will boost morale of employees. They are assured of higher positions whenever vacancies arise. Existing employees are given preference in promotions. Outsiders are employed only when suitable candidates are not available from within.

2. **Proper Evaluation:** The management is in a better position to evaluate the performance of existing employees before considering them for higher positions. An outsider employed just on the basis of an interview may not prove suitable later on. The service records of existing employees will be a guide to study their suitability for ensuring vacancies.

3. **Economical:** The method of internal recruitment is economical also. The cost in selecting a person is saved. Moreover, internal candidates do not require any training since they are well acquainted with various jobs in the organisation.

4. **Promotes Loyalty:** Internal sources of recruitment promote loyalty among employees. They are preferred to consider at the time of filling up higher positions. They will feel a part and parcel of the organisation and will always try to promote its interests.

Demerits of Internal Sources

1. **Limited Options:** The recruitment of only internal candidates restricts the choice of management. The present employees may not be suitable to take up positions of higher responsibility but there will be no option. A person will be selected only out of the available candidates. The outside candidates, even though they may be suitable, will not get a chance to show their talent.

   Internal sources may dry up in the meantime and filling up of higher positions will become a problem.

2. **Lack of Originality:** The present employees may not be able to bring new ideas. They will be accustomed to carry on things in the same old ways. New persons will bring fresh thinking and new methods may be tried.
II EXTERNAL SOURCES

Every enterprise has to use external sources for recruitment to higher positions when existing employees are not suitable. More persons are needed when expansions are undertaken. External methods are discussed as follows:

1. Advertisement: Advertisement is the best method of recruiting persons for higher and experienced jobs. The advertisements are given in local or national press, trade or professional journals. The requirements of jobs are given in the advertisement. The prospective candidates evaluate themselves against the requirements of jobs before sending their applications. Management gets a wider range of candidates for selection.

2. Employment Exchanges: Employment exchanges run by the government are also a good source of recruitment. Unemployed persons get themselves registered with these exchanges. The vacancies may be notified with the exchanges, whenever there is need. The exchange supplies a list of candidates fulfilling required qualifications. Exchanges are a suitable source of recruitment for filling unskilled, semi-skilled, skilled and operative posts. The job-seekers and job-givers are brought into contact by the employment exchanges.

   Private agencies also helping in recruiting qualified and experienced persons. These agencies remain in contact with employees and persons seeking change in jobs for higher posts.

3. Educational Institutions: The jobs in trade and industry are becoming technical and complex. These jobs require certain amount of educational and technical qualifications. The employers maintain a close liaison with universities and technical institutions. The students are spotted during the course of their studies. The students are assured of jobs on the completion of their studies. Junior level executives or managerial trainees may be recruited in this way.

4. Unsolicited Applicants: Persons in search of employment may contact employers through telephone, by post or in person. Generally, employers with
good reputation get more and unsolicited applications. If an opening is there or is likely to be there then these persons are considered for such jobs. Personnel department may maintain a record of unsolicited applications. When jobs suitable for those persons are available those are considered for employment.

5. **Casual Callers:** Management may appoint persons who casually call on them for meeting short-term demands. This will avoid following a regular procedure of selection. These persons are appointed for short periods only. They need not be paid retrenchment or lay off allowance. This method of recruitment is economical because management does not incur a liability in pensions, insurance and fringe benefits.

6. **Labour Contractors:** It is quite common to engage contractors for the supply of labour, when workers are required for short periods and are hired without going through the full procedure of selection etc. Contractors or jobbers are the best source of getting them. The contractors maintain regular contracts with workers at their places and also bring them to the cities at their own expense. The persons hired under this system are generally unskilled workers.

**Merits of External Sources**

1. **Availability of Suitable Persons:** Internal sources, sometimes, may not be able to supply suitable persons from within. External sources will give a wide choice for selection to the management. A large number of applicants may be willing to join the organisation. They will also be suitable as per the requirements of skills, training and education.

2. **Brings New Ideas:** The selection of persons from outside sources will have the benefit of new ideas. The persons having experience in other concerns will be able to suggest new things and methods. This will keep the organisation in a competitive position. The present employees may not be able to infuse new thinking because their ways of thinking will remain the same.

**Demerits of External Sources**

1. **Demoralisation:** When new persons from outside join the organisation then present employees feel demoralised because these positions should have
gone to them. There will be a heart burning among old employees. Some employees may even leave the enterprise to find out better avenues in other concerns.

2. **Lack of Co-operation:** The old staff may not co-operate with the new employees because they feel that their right has been snatched away by them. This problem will be acute especially when persons for higher positions are recruited from outside.

3. **Expensive:** The process of recruiting from outside is very expensive. It starts with giving costly advertisements in the media and then arranging written tests and conducting interviews. Inspite of all this if suitable persons are not available among the applicants then the whole process will have to be repeated.

4. **Problem of Maladjustment:** There may be a possibility that the new entrants have not been able to adjust in the new environment. They may not temperamentally adjust with the new persons. In such cases either the persons may leave themselves or management may have to replace them. These things have adverse effect on the working of the organisation.

**Do yourself:**

1. What is meant by manpower planning? Discuss the process of manpower planning.

2. Discuss the need for manpower planning. What are the steps in manpower planning?

3. Critically discuss the various sources of recruitment of employees. What sources of recruitment will you recommend for the appointment of management personnel?
INTRODUCTION

Selection involves screening or evaluation of applicants to identify those who are best-suited to perform the jobs which have fallen vacant in an organisation. It divides the candidates who offer themselves for appointment into two categories, namely those who will be employed and those who will not be employed. It is the process of rejecting unsuitable candidates to choose the few suitable applicants. Therefore, selection is frequently described as a negative process as compared to the positive process of recruitment. Under selection, the qualifications and experience of every candidate are compared with job requirements and with those of other candidates. The basic purpose of selection is to choose the right type of candidates to fill up vacancies in the organisation. Selection involves the matching of the qualities of candidates with the requirements of a job.

Significance of Selection

Selection of employees is very important because the costs of induction and training have increased and it is very difficult to terminate the services of an employee once he is confirmed on the job. If the right type of persons are not selected, the employer will have to suffer a huge loss in terms of quantity and quality of work. Selection of employees must be done very carefully because mistakes in selection may prove to be very costly later on. If the selection function is not performed efficiently, labour absenteeism and turnover will be high. If unsuitable candidates are employed, the efficiency of the organization will go down. Such persons will be frequently absent from work and they will shirk their jobs. Very often, unsuitable employees have to leave the organization. This will result in waste of time, energy and money spent on hiring and training such employees.
Proper selection and placement of employees will go a long way towards building up a stable workforce and eventually reducing labour costs. When selected personnel are suitable to the job, their efficiency and productivity will be high. Such personnel will have high job satisfaction and high morale. Therefore, rates of absenteeism and labour turnover will be low.

**Basic Elements in the Selection Process**

As Figure 1 indicates, the selection process pulls together organizational goals, job designs, and performance appraisals, as well as recruitment and selection. The first element in the selection process is the setting of organizational goals, which must include the general hiring policy of the organization. Management can either employ the best people in the marketplace for particular jobs – often incurring high individual salaries and benefits or pay relatively low wages and salaries, unconcerned with employee turnover or dissatisfaction about wages, benefits, and working conditions. Policy makers must determine how the employees fit into the overall framework of the organization and must establish the relationship among the employees in the organization.

The second element, job design, involves determining what duties and responsibilities each job will entail. How motivating or repetitious a job is greatly affects the performance of employees on that job. The performance of employees will be affected by their ability and motivation. The job design will greatly affect both of these factors.

The third element involves the measurement of job success. The discovery of what kind of employees are successful will determine what kind of employees to recruit and select in the future.

The fourth element, job specifications, comes from the job analysis, which specifies what traits, skills, and background an individual must have to qualify for the job.

Finally, policy makers must determine which combination of interviews,
tests, or other selection devices to use in the selection process. There is no magical combination of selection instruments that will minimize the cost of selection and facilitate choosing the best candidates available.

FIGURE 1—BASIC ELEMENTS IN THE SELECTION PROCESS.

(5) SELECTION INSTRUMENTS
What devices are available for determining if the applicant possesses the desired traits, characteristics, and skills?

(4) JOB SPECIFICATION
What traits, skills, and qualities in the individual are related to successful performance?

(3) JOB SUCCESS CRITERION
What distinguishes successful performance from unsuccessful performance? How is it measured?

(2) JOB DESIGN
What are the duties and responsibilities of the individual worker? What work does the individual perform for the organization?

(1) ORGANIZATIONAL GOALS
Why does the organization exist? What are its goals and objectives?
Steps in the Selection Process

The steps in the selection process are outlined in Figure 2. They may change from one organization to another, but all the steps are normally completed at one time or another. The process usually begins by reviewing current applications gathered through the organization’s recruitment effort.

Applicants who appear to be qualified for the position are then screened. Initial screening looks for the minimum requirements as determined by the job specifications. The third step is to have the applicants complete an application blank, which standardizes information about all of the applicants to be considered. Tests relevant to the job and validated by the organization are then administered to applicants. The next step is usually to interview applicants within the human resource department. The background of desirable applicants is checked next, especially their references and employment history. Finally, the few applicants remaining are interviewed by the departmental supervisor or department head. During this in-depth interview, job requirements are discussed so that the applicant as well as the supervisor will be able to judge each other’s interest in the job. At this point, a job offer can be made to the applicant best qualified for the job. If the applicant rejects the offer, management can either contact other qualified applicants or begin the recruitment process again if there are not other qualified applicants available. When the applicant accepts the offer, the process of placing the applicant in the organization begins.
FIGURE 2
THE STEPS IN THE SELECTION PROCESS

- Review Applicants
- Hold for Future Consideration
- Initial Screening
- Rejection
- Application Blank
- Rejection
- Testing
- Rejection
- Interview(s)
- Rejection
- Background Checks
- Rejection
- Departmental Interview
- Rejection
- Job Offer
- Medical Exam/Drug Test
- Applicant Fails
- Applicant Passes and Accepts
- Placement
- Extend Offer to Other Applicant
- Further Recruits
- Applicant Passes and Rejects
SELECTION TECHNIQUES

These techniques are typically referred to as predictors because they help in distinguishing between ‘good’ and ‘poor’ workers by predicting their future job success. Following are some common selection techniques:

1. **Initial Screening:** The initial screening and/or preliminary interview is undertaken to limit the costs of selection by letting only suitable candidates go through the further stages in selection. At this stage, usually a junior executive either screens all enquiries for positions against specified norms (in terms of age, qualifications and experience) through preliminary interview where information is exchanged about the job, the applicant and the mutual expectations of the individual and the organization. If the organization finds the candidate suitable, an application form, prescribed for the purpose, is given to these candidates to fill.

2. **Application Form:** The application form is usually designed to obtain information on various aspects of the applicant’s social, demographic, academic and work-related background and references. The forms may vary for different positions. Some organizations may not have any form specially designed, and instead ask the candidates to write applications on a plain sheet.

   It is important to determine what kind of information can and needs to be asked. It is equally important to know that asking for certain types of information relating to race, caste, religion and place of birth may be regarded as evidence of possible discrimination in the selection process.

   The application form should provide for all the basic information an organization needs to determine whether a candidate can be considered for the position he/she is applying for and also to provide the inputs to start the interview. It also serves as the basis to screen and reject candidates if they do not meet the eligibility criteria relating to qualifications, experience, etc.

3. **Employment Tests:** A test is a sample of an aspect of an individual’s behaviour, performance or attitude. It also provides a systematic basis for
comparing the behaviour, performance or attitude of two or more persons. Tests serve as a screening device and provide supplementary inputs in selection decisions. Their value lies in the fact that they serve as additional predictors intended to make selection decisions more apt and accurate. Several types of tests are used in the selection of personnel. Some of the employment tests are discussed below:

(a) **Intelligence Tests:** These are tests to measure one’s intelligence or qualities of understanding. They are also referred to as tests of mental ability. The traits of intelligence measured include: reasoning, verbal and non-verbal fluency, comprehension, numerical, memory and spatial relations ability.

The major criticism against these tests is that they tend to discriminate against rural people. Also, since most of these tests are administered in English, the results may be more influenced by one’s command over language (particularly the lack of it) rather than one’s intelligence.

(b) **Aptitude tests:** Aptitude refers to one’s natural propensity or talent or ability to acquire a particular skill. While intelligence is a general trait, aptitude refers to a more specific capacity or potential. It could relate to mechanical dexterity, clerical, linguistic, musical, academic, etc.

Most aptitude tests are so standardized that they are not specific to any particular job. However, they are general enough to be used in different job situations. Certain types of aptitude tests called psychomotor tests measure hand and eye coordination and manipulative skills. There are other types of aptitude tests to measure personal (how to decide for themselves appropriately in time) and interpersonal (social relations) competence.

(c) **Achievement tests:** These are proficiency tests to measure one’s skill or acquired knowledge. The paper and pencil tests may seek to test a person’s knowledge about a particular subject. But there is no guarantee that a person who knows most also performs best. Work sample tests or performance tests using actual task and working conditions (than simulated one’s) provide standardized measures of behaviour to assess the ability to perform than merely
the ability to know. Work sample tests are most appropriate for testing abilities in such skills as typing, stenography and technical trades. Work sample tests bear demonstrable relationship between test content and job performance.

(d) **Personality, Interests, Preferences (PIP) Tests:** PIP tests are those which seek to measure one’s personality, interests and preferences. These tests are designed to understand the relationship between anyone of these and certain types of jobs.

Tests of one’s personality traits or characteristics are sometimes referred to as personality inventories. These tests help evaluate characteristics such as maturity, sociability, objectivity, etc. Unlike tests, however, inventories do not have right or wrong answers. Personality inventories aid in selection decisions and are used for associating certain set of traits with salespersons and certain others, say, research and development personnel.

Interest tests are inventories’ of likes and dislikes of people towards occupations, hobbies, etc. These tests help indicate which occupations (e.g. artistic, literary, technical, scientific, etc.) are more in tune with a person’s interests.

Preference tests seek to match employee preferences with job and organizational characteristics.

(e) **Projective Tests:** These tests expect the candidates to interpret problems or situations. Responses to stimuli will be based on the individual’s values, beliefs and motives. Thematic Apperception Test is example of projective tests. In Thematic Apperception Test a set of photographs are shown to the candidate who is then asked to write a story on each paragraph. The test administrator will draw inferences about the candidate’s values, beliefs and motives from analysis of these stories. The main criticism against such tests is that they could be unscientific and reveal the personality of the test designer/administrator more than the candidate/applicant.

(f) **Other tests:** A vide variety of other tests also are used, though less frequently and in rare instances. These include graphology (handwriting analysis),
non-verbal communication tests (gestures, body movement, eye-contact, etc.) and lie-detector tests. Most of these tests, with the possible exception of non-verbal communication tests, are designed more to identify the negative aspects in the personality, behaviour and attitudes of a person. In the Indian context, it was found in a handful of cases, employers who have an ardent zeal for having their management practices rooted in ‘tradition and culture’, use horoscope, face reading and palmistry (hand-reading). They contend that if the person is destined to succeed he should be selected so that he will not only do good to himself but also to the organization’. They add that “traditionally marital alliances are made this way; so we can select our employees the same way and expect them to have a life-long association with us”. But, these kinds of tests are indeed very exceptional and rather unusual by the general standards.

The following could be considered as the thumb rules of selection tests:

a) Tests are to be used as a screening device.

b) Tests scores are not precise measures. Use tests as supplements than on stand alone basis. Each test can be assigned a weightage.

c) Norms have to be developed for each test; and their validity and reliability for a given purpose is to be established before they are used.

d) Tests are better at predicting failure than success.

e) Tests should be designed, administered, assessed and interpreted only by trained and competent persons.

4. **Employment Interview:** Interview is an oral examination of candidates for employment. No selection process is complete without one or more interviews. Interview is the most common and core method of both obtaining information from job-seekers, and decision-making on their suitability or otherwise. Organizations may seek to make their selection process as objective as possible. But, interview, which is an essential element of the process, by and large, still remains subjective.
Interviews usually take place at two crucial stages in the selection process, i.e. at the beginning and in the end. Interviews can differ in terms of their focus and format. Usually several individuals interview one applicant. This is called panel interview. Such panels usually consist of representatives from personnel department and concerned operating units/line functions. The interviews can be structured or unstructured, general or in-depth.

It helps to serve several purposes. First, interview provides additional information about the candidate. Secondly, face-to-face conversation helps in judging the suitability of the candidate. Thirdly, interview serves as a check on the information obtained through application blank and tests. Fourthly, interview may be used to give detailed information about the job and the organization. Fifthly, an in person meeting between the candidate and the interview board can be used for exploring the candidates’ aptitude and capabilities.

However, employment interview suffers from some limitations: (a) interview involves much expenditure of time and money; (b) interview can test only the personality of the candidate and not his skill and bias of the interviewers; (c) interviewers may not be experts and may fail to extract all relevant information from the candidate.

Interviewing is both an art and a science. The effectiveness of the interview as a screening device can be improved by taking care of certain aspects like the following:

i) The interview should be based on a checklist of what to look for in a candidate. Such a checklist could be based on proper job analysis. Each critical attribute which the interview seeks to evaluate may be assigned a specific weightage.

ii) It is desirable to prepare a specific set of guidelines for the interview.

iii) The interviewers need to be trained to evaluate performance of the interviewee objectively. Also, all interviewers need to develop common understanding about the criteria measures, their purposes and weightages.
iv) The interviewers may use past behaviour to predict future behaviours and obtain additional information to attempt such linkages more meaningfully.

v) There should be proper coordination between the initial and succeeding interviews.

vi) The interview should be conducted in a relaxed physical setting.

5. **Background Investigation:** The background investigation in selection process may include verification of references from past teachers, employers or public men; police verification; and, medical examination.

   The purpose of background investigation is to gather additional information about the mental faculties, behaviour and physical health. In India, the selection process in civil service and public sector employment involves routing of applications through present employer, reference verification, police verification and medical examination. Private sector firms do not expect the applications to be routed through present employer. They also do not normally make use of police verification though for certain top managerial positions, discrete enquiries in professional circles and/or thorough private investigators are resorted to, though seldom.

   Background verification is sought to guard oneself against possible falsification by applicants. But given the acute skill shortages and competitive pirating strategies of employers it is possible for some of them to give a clean chit to those whom they wish to get rid of and be unfair to those whom they are not prepared to lose. Therefore, employers in private sector generally find that they get more accurate information when they track the actual past performance than when they merely ask for references reflecting one’s opinion about the candidate.

6. **Physical/Medical Examination:** Physical examination or medical test of a candidate is an important step in the selection procedure. Some organizations ask for a certificate of physical fitness from a medical expert while others
insist on a medical examination of the candidate by their own panel of doctors. In some cases medical examination may be an early step in selection so as to avoid the wastage of time and expenditure in the processing of medically unfit persons.

A proper medical examination will ensure high standards of health and physical fitness of employees and will reduce the rates of accident, absenteeism and labour turnover. The physical examination should reveal the physical characteristics of candidates that are significant from the standpoint of efficient performance of the job. The organization should appoint a qualified medical expert to certify whether the candidate is physically fit to perform the job efficiently. Minimum standards of physical fitness should be laid down according to the nature of jobs.

Medical and physical examinations are usually resorted to by employers as part of the selection process mainly to:

- determine whether the applicant has the physical ability to carry on the duties and responsibilities effectively;
- ascertain whether the applicant has a record of health problems which can potentially affect his behaviour and performance on the job adversely;
- know whether the applicant is more sensitive to certain aspects of workplace environment such as chemicals.

For the above reasons, the medical and physical examinations are considered to provide significant inputs, which are fair and valid, for selection decisions.

7. **Appointment Letter**: A candidate who has crossed all the hurdles in the selection procedure is formally appointed by issuing an appointment letter or by entering into a service agreement with him. Before putting the candidate on a permanent post, he is generally tried on the job for a year or two by keeping him on probation. This is because no screening device gives a complete picture of the candidate’s qualities. It is only by observing a person at work that his
suitability can be accurately determined. After successful completion of the probationary period, the selected candidate is confirmed. Those candidates who are found unsuitable during the probationary period may be transferred to some other jobs or they may be given time and training to improve themselves. If this is not possible, they may be sacked.

8. Placement: Placement refers to assigning responsibility to an individual, identifying him with a particular job. If the person adjusts himself to the job and continues to perform as per expectations, it might mean that the candidate is properly placed. However, if the candidate is seen to have problems in adjusting himself to the job, the superior must find out whether the person is properly placed as per the latter’s aptitude and potential. Usually, placement problems arise out of wrong selection or improper placement or both. Therefore, organizations need to constantly review cases of employees performing below expectations/potential and employee related problems such as turnover, absenteeism, accidents and how far they are related to inappropriate placement decisions and remedy the situation without delay.

Combining Selection Techniques into a Battery

No single selection technique can measure all the abilities required for any job. Even the simplest of jobs may be complex if one considers the combination of abilities required of an individual who is to remain on the job and do it well. Hence the need to use a battery of selection techniques rather than a single technique. This may be done in anyone of the following ways:

(i) Profile Matching: In this method the known “successful” employees are made to pass through each of the selection techniques. Their scores on each technique, are then averaged to obtain the ideal profile of a successful worker. This profile is then used as a standard against which the individual profiles of all new applicants are compared and selections made. This may be done in anyone of the following ways. It should, however, be remembered that each way may result in different individuals being selected for the job.

(a) Individuals whose scores on all techniques and are above the standard scores may be selected.
(b) Individuals whose scores show minimum deviations from the standard scores may be selected. For this purpose, the deviations of an individual’s scores from the ideal scores are first calculated. They are then squared and totaled. The lesser this total, the better the match.

(c) Individuals whose scores show maximum covariation with the standard scores may be selected. For this purpose the coefficients of correlation may be calculated between the scores of each individual and the ideal scores. The higher the coefficient, the better the match.

(ii) Multiple Cut-off: In this method a cut-off point, i.e., a minimum acceptable point, is established separately for each technique. Unless an applicant scores above this point on each technique he is not selected. In other words, falling below the minimum on any technique disqualifies the individual. The cut-off points are usually determined by trial and error. Individuals who score above all cut-off points are ranked on the basis of their total scores. This method thus seems to assume that for job success there is a certain minimum score which is needed in respect of each technique but beyond this minimum the scores become interchangeable so that if an individual has secured poor scores on one technique he can compensate them by securing rich scores on some other techniques.

(iii) Multiple regression: In this method the multiple regression model is used for making selection decisions about individuals. With the help of data available on job performance and the performance in several selection techniques, the relative contribution of each technique in predicting job performance is found out. For example, in the equation \( y = 2x_1 + 4x_2 \) (where \( y \) stands for predicted job success and \( x_1 \) and \( x_2 \) stand for the different selection techniques) it is shown that the selection technique \( x_2 \) makes twice as much contribution as the selection technique \( x_1 \) in predicting job success (\( y \)). Hence an applicant whose scores on \( x_1 \) and \( x_2 \) are 5 and 10 respectively will be considered on the same footing as another applicant whose scores are 15 and 5. Each of them has a total score of 50.
(iv) **Multiple hurdle:** In this method, the various selection techniques are arranged in a sequence as so many hurdles and an applicant must clear all these hurdles to reach the final stage where he is considered for selection. An applicant must secure above the given minimum score at each stage before he is considered for the next stage. Every stage is thus a device for weeding out applicants. At every stage the selector has to pause and think in terms of sequential decisions. He has to review the situation and decide whether to continue with the process and to continue consideration of the applicant or to reject him. In this way he goes on eliminating a certain number of applicants at each stage until the required number of candidates is selected. This can be shown by an inverted triangle as given.

**Successive hurdles**

i) Preliminary interview  
ii) Application scrutiny  
iii) Tests  
iv) Interview by Personnel department  
v) References  
vi) Physical examination  
vii) Interview by line supervisor  

The above method has the advantage of progressively decreasing the cost of selection as the number of applicants continuously goes down from one stage to the other. The disadvantage of this method is that an applicant is rejected simply because he does not perform above the minimum cut-off point at a given stage, although it is possible he might have done really well in the next stage. It is this characteristic of taking sequential decisions which distinguishes this method from the multiple cut-off method in which a decision to select or reject a candidate is taken after he has been through all the techniques.

**Factors Determining the Functional Value of a Selection Technique**

Following are the factors which determine the functional utility of a selection technique:
(1) **Reliability:** This means that the test should give consistent results in repeated trials. If a person achieves a test score of 50 on one day and a score of 100 on the next, the test results are inconsistent and, therefore, unreliable. The unreliable test has little merit because it is as undependable as an elastic ruler. Of course, some difference in the individual’s two scores is to be expected due to difference in his physical condition, incentive and attitude, distractions present during the testing and other similar factors on the two occasions.

The reliability of a test is determined in one of the following ways:

(i) By giving the test to the same group at separate times and correlating the resultant series of test scores;

(ii) By giving two or more different (but equivalent) forms of the same test and correlating the resultant test scores; or

(iii) By the so-called split-half or odd-even method. In this method the test is given only once but the items are divided and scores on one half of the items are correlated with scores on the other half.

(2) **Validity:** This means that the test should be able to measure what it purports to measure. There are basically three types of validity: content validity, construct validity, and criterion-related validity.

(a) **Content Validity** or face validity, as it is also called, refers to the apparent appropriateness of the test material to what is being measured. A test designed to measure supervisory skill would lack content validity if it contained items which tests arithmetic knowledge. Content validity also suffers when the items in a test under-represent the relevant domain. A test of typing proficiency that required the test taker to type only numbers would lack content validity since typing generally involves the use of almost all typewriter keys, not just those associated with numbers.
(b) Construct Validity: Abstract variables which cannot be directly observed, e.g., intelligence, aptitude etc., are known as constructs. The value of such variables cannot be directly observed but can only be inferred from other observable variables. These observable variables then become operational definitions of these constructs. Construct validity of a test means the appropriateness of the operational definition of the construct.

(c) Criterion-related Validity: This is the most important type of validity to look for or to achieve in a test. Criterion-related validity is the ability of a test to successfully predict an applicant’s performance on a specific job as measured by a particular index of job success. A test that has been shown to predict successfully an index of job proficiency is said to be a valid test.

(3) Selection Ratio: It should be remembered that in personnel testing, a manager is more interested in the capacity of his selection device to improve the overall performance of the selected group than in its capacity to accurately predict the performance of any single individual. As such, he does not mind even if a few potentially deficient candidates pass through his selection device as successful ones so long as the selected group’s overall performance remains higher.

One important factor which helps in improving the overall performance of the selected groups is the selection ratio. The selection ratio is the ratio of the number of applicants to be selected to the total number of applicants available. It is expressed as $n/N$ where:

- ‘$n$’ is the number of jobs to be filled;
- ‘$N$’ is the number of applicants for those jobs.

When this ratio is greater than 1, that is, when there are more jobs to be filled than the number of applicants available the selection device, if any, has no functional utility because even applicants of mediocre ability have to
be hired. But when this ratio is less than 1, that is, when the applicants are more than jobs, the manager can afford to raise the standards and select only those who hold very high promise.

(4) Ability to Increase the Percentage of ‘Satisfactory’ Employees on the Job: In the above discussion, we have, assumed that all workers above a certain predictor cut-off are satisfactory. But if there exists a certain criterion cut-off also for separating workers into satisfactory and unsatisfactory categories we would find that all applicants are divided into four groups thus:

(i) Applicants whom we selected because they were above the predictor cutoff and whom we later on found to be satisfactory. These are called true positives and are designated as ‘A’.

(ii) Applicants whom we rejected because they were below the predictor cutoff and whom we later on found to be unsatisfactory. These are called true negatives and are designated as ‘B’.

(iii) Applicants whom we selected because they were above the predictor cutoff but whom we later on found to be unsatisfactory. These are called false positives and are designated as ‘C’.

(iv) Applicants whom we rejected because they were below the predictor cutoff but whom we later on found to be satisfactory. These are called false negative and are designated as ‘D’.

It can be seen from the above description that whereas its A and B parts represent correct decisions based on the selection device, its C and D parts represent wrong decisions. If no selection device were used the proportion of satisfactory workers to total workers would have been \((\frac{A+D}{A+B+C+D})\). By using the selection device this proportion should increase. In other words, \(\frac{A}{A+C}\) should be found greater than \(\frac{A+D}{A+B+C+D}\). If it is not so then the selection device has no functional utility.
SELF-TEST QUESTIONS

(i) What steps are involved in the selection procedure of employees? Explain them briefly.

(ii) What are the different types of employment tests that are used in selection of employees?

(iii) Discuss the significance of proper selection of personnel. Explain the different elements involved in selection procedure.

(iv) Which of the following selection techniques has the maximum element of subjectivity?

(a) Application Blank
(b) Interview
(c) Medical Examination

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LESSON : 6

INDUCTION, TRANSFER, PROMOTION AND SEPARATION

INDUCTION

Induction refers to the introduction of a person to the job and the organization. The purpose is to make the employee feel at home and develop a sense of pride in being part of the organization and have a sense of commitment to the job. The induction process is also envisaged to indoctrinate, orient, acclimatize and acculturate the person to the job and the organization. The basic thrust of induction training during the first one or few weeks after a person joins service in the organization is to:

- introduce the person to the people with whom he works;
- to familiarize the new employee with the job so that the feeling of being ‘out of place’ is quickly dispelled.
- make him aware of the general company policies that apply to him as also the specific work situation and requirements;
- answer any questions and clarify and doubts that the person may have about the job and the organization; and
- provide on-the-job instruction, check back periodically how the person is doing and offer help, if required.
- to make the new employee efficient as quickly as possible.
- to encourage the new employee to become committed to the organization and thus less likely to leave quickly.

While the personnel staff may provide general orientation relating to organization, the immediate supervisor should take the responsibility for specific orientation relating to the job and work-unit members. The follow-up orientation
is to be coordinated by both the personnel department and the supervisor with a view mainly to obtain feedback and provide guidance and counseling as required. Proper induction would enable the employee to get off to a good a start and to develop his overall effectiveness on the job and enhance his potential.

It is generally unwise to communicate a great deal of information orally to new employees at the time of joining the organization. The stress of the first day in a new environment can be equated with ‘cultural shock’. The danger is that little will be remembered. It is wise to provide written ‘back-up’ to vital information communicated orally, for this reason. An employee handbook containing the following information is useful:

- Brief description of the organization - numbers employed, locations, products, etc.
- Basic conditions of employment – pay scales, holidays, pension, hours of work etc.
- Sickness arrangements-notification, pay, certification.
- Disciplinary and grievance handling procedures.
- Trade union membership and collective bargaining arrangements.
- Staff purchase arrangements and other ‘perks’.
- Traveling and subsistence arrangements.
- Medical and welfare facilities.
- Canteen facilities.
- Health and safety arrangements.
- Education and training policies and facilities.

This list is by no means exhaustive. The content of employee handbooks varies depending on such organizational characteristics as numbers employed, jobs performed and managerial policies and practices. Handbooks need not be
glossy and should be written clearly and concisely with the information needs of the employee as the focus.

Attention should also be given to the training methods utilized to convey information to new employees. These usefully could include film or videotape, tape/slide presentation, written handout supplemented by question and answer session, lecture etc.

**Roles in Induction:** Line managers, supervisors, fellow workers, personnel and training staff all have a role to play in the induction of new workers. One activity which may be carried out by each of these is listed below:

- **Departmental manager:** Welcoming new employees to the department.
- **Supervisors:** Explaining the job to the new employee and providing support during the initial period.
- **Fellow workers:** Making the new employee feel welcome and comfortable in the work group.
- **Personnel staff:** Explaining conditions of employment very early in the employment of the newcomer.
- **Training staff:** Designing induction courses or other training aids relevant to the needs of new employees.

**Departmental Induction:** A more informal induction process IS probably just as important as a training course. For the new employee it may be far more important, at least in the initial stages of employment with an organization, to get to know one’s colleagues and the nature of one’s job, than to be given more general information about the employing organization. In a large organization, it is likely that the personnel or training department will carry responsibility for the formal part of the induction process, but line managers and supervisors should not abdicate responsibility for the less formal process. The importance of paying attention to the early period of a new employee’s ‘life’ with an organization should be stressed to line managers. Far
too often, new employees are left to ‘find their own feet’, spending time reading documentation or aimlessly wandering around trying to get information. New employees should at least be welcomed by their departmental manager even if – as commonly occurs – the immediate supervisor is mainly responsible for introducing the new employee to the job and to workmates. In small companies, where it would not be economic to organize a formal induction programme, it is even more vital that someone (probably the supervisor) is responsible for introducing each new employee to the organization.

Ways of Reducing the Effects of the Induction Crisis

➤ Get better information about candidates during recruitment and selection.

➤ Give candidates better information about the job on offer. To some degree people select themselves for jobs. This may include information which will cause candidates to withdraw or to refuse an offer of employment.

➤ Be honest about training and career development.

➤ Improve the induction process.

TRANSFER

A transfer is a lateral movement within the same grade, from one job to another. A transfer may result in changes in duties and responsibilities, supervisory and working conditions, but not necessarily salary. Transfers may be either company-initiated or employee-initiated. A company may initiate a transfer to place employees in positions where they are likely to be more effective or where they are likely to get greater satisfaction or where they are better able to meet the work schedules of the organization. Similarly, employees may initiate transfers for several reasons. They may want a change of bosses or of locations. They may try to obtain more allowances or better working conditions which are attached to a new position. They may want to join their friends and relatives or they may try to avoid interpersonal conflicts with their present colleagues. Transfers may be made for reasons such as:
- Correcting misplacement
- Filling vacancies internally
- Meeting skill shortages/job redundancies
- Dealing with problem employees
- Facilitating superior-peer adjustment
- Providing a chance for wider experience
- Job rotation as part of career development
- Accommodating personal needs and convenience of the individual
- Reward or punishment
- Change working conditions (e.g. manual to mechanical operations)
- Humanitarian/compassionate ground (transfer to one’s native place to enable the person to look after the sick or old parents).

Transfers could be temporary and adhoc when they are made to meet emergencies. They may be regular and planned as part of training development, career and succession planning activities. Transfer decisions may be perceived as negative or positive depending upon an individual’s personal preferences, needs and aspirations. An organization may consider transfer from a regional office to the head office as a reward since it enables the person to broaden his knowledge and experience; but the individual concerned may feel otherwise if it means breaking his ties with the people and community.

Whether transfers are planned or adhoc, employees and their families face certain practical difficulties particularly when a transfer means change in location:
- Timing of the transfer
- Housing/accommodation
- School/college admission of children

(60)
Working spouse/dependent family

Relocation/hardship expenses.

**Types of Transfers:** When the transfers are considered from the standpoint of their purpose, five types may be distinguished:

(i) *Production transfers:* These are transfers from one department of an organization in which labour requirements are declining to another department of the same organization in which they are increasing. Such transfers are done to avoid layoff of efficient and trained employees by providing them with alternative positions in the same organization.

(ii) *Replacement transfers:* These are transfers of long-service employees to similar jobs in other departments where they replace employees with shorter service. The object of these transfers is also to retain the efficient and trained employees as long as possible but in this process some short-service employees may be relieved from the organization.

(iii) *Versatility transfers:* These are transfers (better called ‘rotation’) of workers from one job to another to make them versatile. Besides resulting in greater satisfaction to the workers through job enrichment and enlargement, such transfers also help management in creating a workforce of all-rounder who can be conveniently shifted to other jobs at the time of necessity.

(iv) *Shift transfer:* These are transfers of workers from one shift to another on the same type of work.

(v) *Remedial transfers:* These are transfers made to remedy some situation primarily concerned with employee-on the job. For example an employee’s initial placement may have been faulty, or he may not get along with his superior or with fellow workers in the department or he may be getting too old to continue in’ his present job or the type of job or working conditions may not be well suited to his present health or accident record, and so on.

(61)
Objections to Transfers: Employees generally resist company initiated transfers because:

i) They suspect their victimization by management.

ii) They are unwilling to move to an unknown place.

iii) They dislike leaving their social group of friends and relatives.

iv) They develop proprietary interests in their workplace and in other concomitants of their positions such as desks, machines, tools, lockers, etc.

v) They develop ‘craft consciousness’ – the feeling that no one should work outside his narrowly defined duties.

Transfer is a major motivation tool available with management. Organizations need to develop proactive measures to deal with practical difficulties that affect individuals at the time of transfer. They need to have a human perspective while developing transfer policies.

PROMOTIONS

Promotion is the advancement of an employee from one job level to a higher one, with increase in salary. It should also usually result in changes in duties and higher level/degree of responsibility, status and value. Sometimes the job itself may be upgraded (e.g., steno to secretary) to a higher level of skill, responsibilities and pay. When as a result of promotion there is no increase in the employee’s pay it is called a ‘dry’ promotion. A dry promotion is usually made decorative by giving a new and longer title to the employee. Employers generally get rid of their incompetent employees by giving them such decorative promotions.

In many companies, only vertical promotions are made under which the employees are promoted from one rank to the next higher rank in the same department. A vertical promotion scheme has two disadvantages: first, it limits the experience of an employee; second, it deprives him of the opportunity to
secure promotion in other departments at the right time. As such, horizontal promotions are also allowed in some companies under which employees may be promoted to higher ranks in other departments as well.

It is considered good personnel policy to fill vacancies in a higher job through promotion from within. Such promotions provide an inducement and motivation to the employees, removes feeling of stagnation and frustration and inculcates a sense of growing up with the organization reinforcing common goals between the individual and the organization.

The criteria for promotion decisions may include the following, though the crux of the issue centres around the dilemma over seniority versus merit:

- Performance-length of service (seniority) or merit and ability
- Educational/technical qualification
- Assessment of potential
- Career and succession plan
- Organization chart based vacancies
- Motivational strategies-job enlargement
- Spacing of the promotion and career span of the individual

The promotion policy should seek to optimize the interests of the organizations as well as the needs and aspirations of the individual employees. A good promotion policy may include the following:

- Encouragement of promotion within the organization, instead of looking outside to fill vacancies in higher posts;
- An understanding that ability as well as seniority will be taken into account in making promotions;
- Drawing up an organization chart to make clear to all the ladder of promotion. Where there is a job analysis and a planned wage policy, such a chart is quite easy to prepare;
Making it clear to all concerned who may initiate and handle cases of promotion. Though departmental heads may initiate promotion, the final approval should lie with top management, after the personnel department has been asked to check whether any repercussions are likely to result from the proposed promotion;

All promotions should be for a trial period. Normally during this trial period the employees draws the pay of the higher post, but it should be clearly understood that if “he does not make the grade” he will be reverted to his former post and his former pay scale”.

The advantages of having promotion schemes are as follows :

i) They provide an opportunity to the present employees to move into jobs that provide greater personal satisfaction and prestige.

ii) They offer opportunities to management to provide recognition and incentives to the better employees.

iii) They generate within an organization beneficial pressures on work performance and desired behaviour of all its members.

iv) Finally, they serve as an orderly, logical and prompt source of recruitment for management to fill vacancies as they arise.

One important drawback of all promotion schemes is that they result in a condition known as ‘inbreeding’ in which the company’s idea and habits are perpetuated and little new thinking is able to occur. The system becomes stagnant, repetitious and overly conformist. The newer employees are introduced at lower levels where they can have little influence.

**Merit vs. Seniority:** Although it is best for the profitability of a company to be able to promote those who are the most able without reference to seniority but rarely is merit given complete control in such matters. It is very often complained that ‘merit’ is a highly subjective concept which encourages inequities and favouritism in promotion and that the differences in merit are
not readily measurable. To avoid these difficulties it is suggested that the
criterion of seniority should also be used. The advantages of this criterion are as follows:

i) It is an objective means of distinguishing among personnel. Under this
criterion it is not the management but the system which ranks individuals.

ii) The measurement with this criterion is both simple and exact.

iii) The criterion is in consonance with our culture in which seniority is respected in all walks of life.

iv) The criterion gives a feeling of security and assurance to the individual
who can calculate his promotion well in advance.

v) Seniority, being valued as an asset, prevents people from leaving an
organization. It thus reduces labour turnover.

The disadvantages of this criterion are as under:

(1) Excessive emphasis on seniority leads to the promotion of incompetents. Oldest is not always the ablest. Accumulation of years of experience or length of service does not invariably produce ability. In any case, the demonstrated ability to perform a given job provides no assurance of the potential to perform at a higher level or in a different type of job.

(2) When seniority is the only deciding factor in promotion, initiative
inevitably withers away. Human nature being what it is, few people will
take the trouble of qualifying themselves for the next rung up the ladder
if they can achieve the same goal merely by “putting in time”.

(3) The seniority criterion adversely affects the morale of meritorious
workers and drives the ambitious and able men, with little service, out
of the organization.

It can now be easily understood that seniority by itself is an incomplete
criterion. Much of the clamour for its recognition as the sole criterion is based
on a fundamental distrust of management. But in the interests of efficiency,
equity and a contented workforce the management should work out a compromise between seniority and merit. Only when coupled with merit does seniority meet the twofold aim of according the employee due recognition for his years of service and of providing him with a built in incentive to qualify himself for advancement. Thus, there is always the problem of balancing one in relation to the other.

Every organization must decide on the relative weights it will give to the merit and seniority in making promotion decisions. For example, seniority may be completely controlling in such matters as length of vacations or choice of shifts but only partly controlling in such matters as transfers and promotions.

**Demotions**

Demotion is the opposite of promotion. It is a downward movement from one job level to another preceding it, leading to a reduction in rank, status, pay and responsibility. Demotions become necessary when:

- a promotee is not able to meet the demands of the new job;
- adverse business conditions lead to downsizing of the organization which can then decide to layoff some and downgrade other jobs;
- it is viewed as a disciplinary measure.

Demotions may be:

- effected during the trial period after promotion, if the cause of demotion is poor performance. However, the candidates should be given a fair opportunity to improve and be offered training and counseling, before a final decision is taken;
- reversed and status quo restored once business conditions improve in case demotions are a result of adverse business conditions;
- normally not resorted to as a disciplinary measure.

Demoting an employee is not an easy matter and calls for tact and diplomacy. Perhaps it is easy to dismiss than to demote. In both the cases, the
person’s interests and pride will be hurt, but in the latter case, since the person still continues his association with the organization he may avenge by hurting the interests of the organization.

SEPARATIONS

An employee who works for an organization has to leave the organization one day or the other. Even in Japanese organizations, where there is life-time employment, separation is inevitable. Separation is the act of an employee leaving his organization because of any of the reasons viz., superannuation, turnover, transfer, dismissal, retrenchment, etc.

A manager, who looks after the staffing function, has to adhere to the formalities, rules, terms, conditions, legal provisions, standing orders etc. in separating any person who works for the organization. While an unconfirmed employee must be given notice pay, a confirmed employee must be given compensation, gratuity, pension benefits etc. according to rules. Similarly, when an employee is not able to make the contribution expected of him, the organization would not be able to go on tolerating it. Hence, the need for separation arises. But the manager must be able to determine when, how and why an employee should be separated and what compensation should be given to him.

An organization having human resource management philosophy must care for the human aspect while separating an employee. After working for an organization for a substantially long period, a person goes himself acclimatized to the given environment. His mind, feelings, thoughts, attitudes, approaches, fashion, taste and temperament, his very personality itself is influenced by his work environment. Obviously when he comes to a turning point to separate himself, his mind is bound to be filled with mixed reactions, feelings, agony and anxiety about future. He needs encouragement, affection, strengthening, sympathy, some amount of counselling, guidance, or promise. Irrespective of the cause of his separation, the human resources manager must take into account of the human aspects of the individual, and go ahead to help him to release
his tension, worry or anxiety. The human resource manager’s patronisation, affection and promise will certainly be a great solace to the individual in his weak spot.

It is encouraging for a separating employee, if his dues are settled before he is separated. Similarly, a send-off meeting, expression of encouraging words, a sympathetic note, a suitable gift, wherever appropriate, may provide some solace to the parting employee. Some companies assure a continuing association to the parting executives and employees with the company as consultants, agents and so on. Parting is always painful. Hence, the human resources manager must do his best to console and encourage the separating employee.

Employees may move out of the organization or be separated for a variety of reasons like retirement, resignation, suspension, discharge, dismissal; redundancy, retrenchment and outplacement. These are discussed here briefly.

**Golden handshake:** Golden handshake is the name given to the method of retrenchment under which employees with a certain minimum service can opt for voluntary retirement and get a fat lumpsum amount in return: It is generally feared that as an impact of the new economic policy now being followed by the Government the size of the bureaucracy is going to be trimmed in near future. With more and more controls being lifted, many government departments will become redundant. To begin with the Government has decided to cut down 10% vacancies in its various ministries and commercial banks. The voluntary retirement scheme offering a good enough golden handshake may turn out to be a run away success as is clear from the case of State Bank of India.

**Death, Retirement and Resignation:** Some employees may die while in service. Such deaths may be caused by accidents or other reasons. Where the death occurs due to occupational hazards, the provisions of Workmen’s Compensation Act apply. Organizations may additionally have insurance and family-benefit schemes. Several organizations also have a policy of offering employment to the spouse/child/or dependant of an employee who dies in service.
Typically, all employment contracts stipulate the age of superannuation. Employees retire from service on attaining the age of superannuation. Some organizations may have a policy to reappoint professionals and others who possess rare skills for a limited duration at a time. All contractual appointments terminate after the expiry of the period of contract. The normal retirement benefits such as provident fund, pension and gratuity as applicable accrue and become payable to the employee on retirement. Some organizations extend certain employee benefits like medical facilities to the employees and their families even after retirement. Usually the retiring employees are bid farewell appropriately with a party, gift and a mention in the house journal.

Organizations are also providing liberal incentives for people to leave before reaching the age of superannuation when they are faced with the situation of surplus staff. Employees may opt to retire voluntarily to avail the benefits of such schemes and possibly pursue a second career or self-employment.

Resignation refers to a situation where an employee takes or is made to take the initiative to leave the job. Resignation may be voluntary or involuntary. A person may leave the job if he is discontent with it or any other aspect of the organization or when he gets a better job elsewhere.

Resignation is considered involuntary when the employer advises the employee to resign or face disciplinary action. However, in disciplinary cases, it is better to follow the due process of in-house enquiry than to shorten the process and accept the forced resignation. Otherwise the affected employee can subsequently go to the union and/or court and assert that the resignation was obtained under duress, even if there was no duress.

Where the incidence of separation is high due to resignation, it is appropriate for the organizations to know the reasons through holding ‘exit interviews’. Exit interviews are held with the employees leaving the organization for obtaining information regarding reasons for their leaving. If more people are leaving due to dissatisfaction with organizational factors such as pay, supervision, company policies and working conditions or low morale and
motivation, the organization would do well to take immediate measures to remedy the situation so that such departures do not reach the proportion of an exodus.

**Suspension, Discharge and Dismissal:** Suspension means prohibiting an employee from attending work, stopping him from performing the duties assigned to him and withholding the remuneration payable to him. Suspension is not termination of services of an employee, but may in some cases, eventually lead to it.

An employee may be suspended as a matter of punishment for a specified period in accordance with the provisions in the standing orders. Suspension may be procedural when the employer feels that the delinquent employee be kept away from work pending enquiry into his alleged misconduct so that he will not tamper with evidence or the enquiry itself. Procedural suspension is usually resorted to only in major or repetitive acts of misconduct.

Dismissal is termination of the services of an employee for misconduct. Discharge also means termination from service of an employee, but not necessarily as a punitive measure.

**Redundancy, Retrenchment and Outplacement:** Employees may become surplus with the introduction of new technology, automation, modernization, rationalization, loss of market for the product, etc. The surplus employees may be laid off or retrenched. Layoff of employees refers to the failure, refusal or inability of an employer to provide employment due to factors beyond his control such as shortage of inputs and infrastructure, breakdown of machinery, etc. Layoff does not mean termination of service, but leads to a temporary denial of employment. Retrenchment means the termination by the employer of the services of an employee for reasons other than punishment but does not include retirement or termination for reasons of ill-health. The legal provisions stipulate employers’ obligations to give advance notice (one month or equivalent wages), pay compensation (15 days average pay for each completed year of service) and follow the prescribed procedure (first-in-last-
out principle to be followed, and a notice to be served to the appropriate government). Employers should give preference to retrenched employees if they advertise for reemployment against future vacancies.

When labour becomes surplus, some organizations seek to provide them training in marketable skills and actively assist them in finding a job elsewhere. Outplacement refers to such activities.

**SELF-TEST QUESTIONS**

1. What is meant by induction training? What should be the contents of an induction training programme?

2. Contrast the advantages of seniority with those of merit in meeting decisions concerning promotion.

3. Discuss briefly the various reasons of separations of employees in an organization.

4. Write notes on the following: (a) Types of transfers, (b) Demotion.

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LESSON : 7
EMPLOYEE TRAINING-NATURE, SIGNIFICANCE, METHODS AND TECHNIQUES

INTRODUCTION

Training is the process of increasing the knowledge and skills of an employee for doing a particular job. It is an organized activity designed to create a change in the thinking and behavior of people and to enable them to do their jobs in a more efficient manner. In industry, it implies imparting technical knowledge, manipulative skills, problem-solving ability and positive attitudes.

The purpose of training is to enable the employees to get acquainted with their present or prospective jobs and also increase their knowledge and skills. Training makes new employees more productive and efficient. It makes the old employees familiar with new machines and techniques by refreshing their knowledge. Training job is never finished so long as an organization remains in business. Thus, training is an on-going or continuous process. Training is effective only when it is properly planned and effectively executed. Training methods must be appropriate to the level of employees, the nature of tasks and the purpose of training. The effectiveness of a training programme should be evaluated so that necessary improvements may be made in it from time to time.

MEANING OF TRAINING

Training is a short-term process utilising a systematic and organised procedure by which non-managerial personnel acquire technical knowledge and skills for a definite purpose. It refers to instructions in technical and mechanical operations, like operation of some machine. It is designed primarily for non-managers, it is for a short duration, and it is for a specific job-related purpose.
NEED OF TRAINING

Systematic and scientific training is the cornerstone of sound management. In the absence of a formal training programme workers learn by trial and error or by observing others. This process involves a lot of time and money. Moreover, the workers are likely to pick up wasteful methods and practices that may cause accidents. The need for formal training has increased due to rapid technological changes which make the methods and techniques of production obsolete. New skills and aptitudes are required to operate effectively the new techniques and equipment. Workers have to be trained for new jobs and for handling the present jobs more effectively. New employees must be trained properly so that they may become efficient. Existing employees have to be trained for taking up higher level jobs. Training is useful not only for the organizations but also for advancement to the employees. Money spent on training is an investment in human assets. A skill acquired through training is an asset for both the enterprise and the employee. In fact, in modern business, “no organization can choose whether or not to train employees, the only choice left to management is whether training shall be haphazard, casual and possibly misdirected or whether it shall be made a carefully planned part of an integrated programme of personnel administration”.

SIGNIFICANCE OF TRAINING

A well-planned and well-executed training programme result in:

- reduction in waste and spoilage;
- improvement in methods of work;
- reduction in learning time;
- reduction in supervisory burden;
- reduction in machine breakage and maintenance cost;
- reduction in accident rate;
- improvement in quality of products;

(73)
improvement in production rate;
> improvement of morale and reduction in grievances;
> improvement of efficiency- and productivity;
> reduction in manpower obsolescence;
> enabling the Organisation to provide increased financial incentives, opportunity for internal promotion and raising of pay rates;
> wider awareness among participants, enlarged skill; and
> personal growth.

**OBJECTIVES OF TRAINING**

The major objectives of training are as follows:

1. To train the employee in the company culture pattern.
2. To train the employee to increase his quantity and quality of output. This may involve improvement in work methods or skills.
3. To train the employee for promotion to higher jobs.
4. To train the bright but dronish employee in the formation of his goals. This may involve instructions in initiative and drive.
5. To train the employee towards better job adjustment and high morale.
6. To reduce supervision, wastage and accidents.

**DETERMINING TRAINING NEEDS**

In order to determine the training needs of an organisation the personnel manager should seek information on the following points:

(a) Whether training is needed?

(b) Where training is needed?

(a) *Whether training is needed?* Early hints that training is necessary probably result from problems such as:
Standards of work performance not being met;
accidents;
excessive scrap;
frequent need for equipment repair;
high rate of transfer and turnover;
too many low ratings on employee evaluation reports;
many people using different methods to do the same job;
excessive fatigue, fumbling, struggling with the job;
bottlenecks and deadlines not being met.

(b) Where training is needed? Once the need for training has been established in terms of the gap between the current and desired level of proficiency of each individual, the second step lies in stating the areas needing training. Areas needing training are generally broken down into:

Knowledge - for the person who does not know.
Skill - for the person who knows but cannot do.
Attitudes - for the person who does not care (for instance, the attitude toward safety, authority, etc.)
Habits - for the person who knows, can do, cares but just has not made the desired behaviour part of his daily routine.
Understanding - for the person who is not properly motivated to accept what he is told. The result hoped for is the removal of the person’s tendency to block, delay or fail to co-operate with certain people.

(75)
PRINCIPLES OF AN EFFECTIVE TRAINING PROGRAMME

A successful training programme should be based on the following principles:

1. The objectives and scope of a training plan should be defined before its commencement, in order to provide a basis for common agreement and co-operative action.

2. The techniques and processes of a training programme should be related directly to the needs and objectives of an organisation.

3. To be effective, the training must use tested principles of learning.

4. Training should be conducted in the actual job environment to the maximum possible extent.

BENEFIT OF TRAINING

The main advantages of training are as follows:

(i) Higher performance: Training helps to improve the quantity and quality of work output. Training increases the knowledge and skills of employees in the performance of particular jobs. As a result, the productivity and performance of the organization as a whole increases.

(ii) Less learning period: A systematic training programme helps to reduce the time and cost required to reach the acceptable level of performance. The employees need not waste time in learning by trial and error or by observing others.

(iii) Uniformity of procedures: In formal training, the best methods of performing the work can be standardized and taught to all employees. Standardization of work procedures and practices helps to improve the quality of performance.

(iv) Manpower development: Training enables the organization to fill manpower needs. Promising employees can be spotted and trained for higher level jobs. Training helps to remove defects in the process of
selection. It provides a reservoir of competent replacements and prevents management obsolescence.

(v) **Economy of materials and equipment:** Trained employees make better and economical use of materials and equipment. Wastage of materials and tools is reduced. When the performers are well-trained, industrial accidents and damage to machinery and equipment will be minimum. Plant capacity can be put to the optimum use. Proper utilization of materials and equipment results in lower cost of production per unit.

(vi) **Less supervision:** Training helps to reduce the need for close and constant supervision of workers. It permits ‘management by exception’. A well-trained employee is self-reliant in his work and does not like to shirk work.

(vii) **High morale:** Training helps to improve the job satisfaction and morale of employees. As their productivity increases, there is an improvement in their earnings and career prospects. By developing positive attitude, training makes employees more cooperative and loyal to the organization. Training enables employees to utilize and develop their full potential. With improvement in industrial discipline and industrial relations, rates of absenteeism and labour turnover are reduced.

(viii) **Participative management:** Training facilitates delegation and decentralisation of authority. Trained employees are willing to accept new and challenging assignments. The stability and flexibility of the organization is improved as its existence no longer depends on a few people. Thus, training is an adjunct of effective management.

**TYPES OF TRAINING**

Training is required for several purposes. Accordingly, training may be of following types:

1. **Orientation training:** Induction orientation training seeks to adjust newly appointed employees to the work environment. Every new
employee needs to be made fully, familiar with his job, his superiors and subordinates and with the rules and regulations of the organizations. Induction training create self-confidence in the employees. It is also known as pre-job training.

2. **Job Training:** It refers to the training provided with a view to increase the knowledge and skills of an employee for a particular job. Employees may be taught in the techniques and machines used in a job. Such training helps to reduce waste and inefficiency in the performance of the job.

3. **Safety training:** Training provided to minimise accidents and damage to machinery is known as safety training. It involves instruction in the use of safety devices and in safety consciousness.

4. **Promotional Training:** It involves training of existing employees to enable them to perform higher level jobs. Employees with potential are selected and they are given training before their promotion.

5. **Refresher Training:** When existing techniques become obsolete due to the development of better techniques, employees have to be trained in the use of new methods and techniques. Such training is designed to refresh the knowledge and to update the skills of the employees. Short-term refresher courses have become popular on account of rapid changes in science and technology.

**TRAINING FOR DIFFERENT EMPLOYEES**

The employees who are to be trained can be of different types and each type would require a different type of training.

*Unskilled workers* are given training in improved methods of handling machines and materials. The objective here is to secure reduction in cost of production and waste. Training is given on the job itself, by immediate superior officers.

*Semi-skilled workers* require training to cope with requirements arising out of adoption of mechanisation, rationalisation and technical processes. Training
is given by more proficient workers, bosses or inspectors. It may be given either in the section or department of the workers or in segregated training shops.

*Skilled workers* are given training through apprenticeship in training centres or in the industry itself.

Salesmen are trained in the art of salesmanship, in handling customers, planning their work, and facing challenges of market place.

*Supervisory staff* constitute a very important link in the chain of administration. They have to cope with the increasing demands of the enterprise in which they are employed and to develop team spirit among people under their charge. A training programme for them should aim at help in the supervisors to improve their performance, and to prepare them for assuming greater responsibilities at higher levels of management.

**METHODS OF TRAINING**

Several methods are used to train employees at the operating level. The method to be used in a particular case depends on the considerations of the number of trainees, nature of work and the facilities available for training. Some important methods of training the operating employees are described below:

1. **On-the-job training:** On-the-job training is considered to be the most effective and the oldest method of training the operating personnel. Under the method, the worker is trained by his immediate superior at the workplace. On-the-job training may take anyone or more of the following forms:

   *(a) Coaching:* In this form, a superior teaches job knowledge and skills to a subordinate. The worker learns by doing his job. Thus, training is combined with job routine.

   *(b) Under-study:* Under this method, the trainee is designated as the heir-apparent to his boss. He gets training from his superior and his future
is dependent upon the fate of the boss. This method is used when a person is to be prepared to fill the vacancy caused by the retirement, death, promotion or transfer of the superior.

(c) *Job rotation:* It involves rotation of the trainee from one job to another so that he gets acquainted with different jobs. The purpose of Job rotation is to broaden the knowledge and experience of the trainee.

On-the-job training has the following advantages:

(d) The trainee learns in the actual job environment so that he is strongly motivated to learn. No adjustment is needed after the training as the training is not located in artificial situations. It permits the trainee to learn at the equipment actually used in the job.

(ii) Supervisor takes an active part in the training programme.

(iii) The training is relatively cheaper and less time consuming. No separate equipment and accommodation is required for training.

However, on-the-job training suffers from several *limitations:* (i) Training involves some interference in the nominal work routine. At the same time the pressure of work makes concentration on learning difficult; (ii) If the supervisor’s method are defective, the trainee learns the defective working methods. The effectiveness of training is dependent on the competence and motivation of the supervisor; (iii) There is no uniformity in training as every superior is a different training unit.

On-the-job training is very suitable for teaching knowledge and skills that can be learnt in a relatively short time and where only a few employees are to be trained for the same job. The method is not appropriate for training a large number of employees at the same time.

2. **Vestibule Training:** Under this method, employees are trained in a special training centre (vestibule). A vestibule school is a replica of the actual work conditions of the workplace. In the vestibule school, an attempt is made
to duplicate as nearly as possible the actual conditions of the workplace. The training is provided by qualified instructors under carefully controlled learning conditions. The main emphasis is on learning rather than on production. It may be called ‘learning before doing’ as against the ‘learning by doing’ process of on-the-job-training.

Vestibule training offers the following advantages: (a) The trainees are not under any pressure of the work situation and, therefore, they can concentrate fully on learning. Training activities do not interfere with the regular process of production (b) Training process is less time consuming because of better concentration by the trainees and the specialist trainers. (c) The method removes the initial nervousness of the trainees as they are not put out-rightly on the job. Employees get an opportunity for having a feeling of job before doing it. More thorough and uniform training is possible as the learning conditions are carefully controlled. It is possible to teach the best and standardised methods for a job.

Vestibule training is suitable when a large number of people are to be trained at the same time and for the same kind of work. A vestibule school is established, when it is not possible to provide training to the employees at the workplace. This method suffers’ from the following drawbacks

(a) Vestibule training is expensive because it involves duplication of materials, equipment and conditions of the workplace. Workers do not contribute to production during the training period because they are engaged in learning only; (b) The artificial training atmosphere may create the adjustment problem for the trainees when they are placed on the job.

3. Apprenticeship Training: Apprenticeship programmes usually combine on-the-job training and classroom instruction in particular subjects. The trainees serve as apprentices and some stipend is paid to them during the training period. Governments of various countries have enacted laws which make it obligatory for employers in certain occupations to provide apprenticeship training to young people. In India, employers in specified industries are required under
the Apprenticeship Act, 1962 to train a certain number of apprentices in ‘designated trades’. Trainees are imparted knowledge and skills in doing a particular craft or series of related jobs.

The main advantages of apprenticeship training to the trainees is that they receive stipend in the course of training. They also acquire valuable skills which carry a high price in the labour market. Apprenticeship programmes serve as a source of cheap labour for the employers. Apprenticeship training is desirable in industries, such as the metal trades, printing, building and construction which require a constant flow of all-around craftsmen. It is also popular for training technical and skilled personnel in crafts like machinists, electricians, welders, etc.

4. **Classroom training:** Under this method the oretical instruction is provided to the trainees through the joint efforts of employers and educational institutions. Employers sent their employees for training to the technical or vocational training institutes. Special courses are designed to fill the needs of the organization and lecture method is used for instruction. Lectures may be supplemented by group discussions, demonstrations, films, etc. Special courses may be designed by the line executives of the organization or by the specialists from the training institutes. Some firms regularly send their selected employees to the training and development programmes run by various educational institutions. The main purpose of the special courses is to provide advanced knowledge in specific areas for the effective performance of the job. Classroom training is suitable when concepts, problem solving ability and attitudes are to be learned or where depth of knowledge is required. This method is also known as “Internship training”.

5. **Lectures:** These are formally organised talks by an instructor on specific topics. This method is useful when philosophy concepts, attitudes, theories and problem solving have to be discussed. The lectures can be used for a very large group to be trained in a short time. These are essential when technical or special information of a complex nature is to be imparted. The lectures are supplemented with discussions, film shows, case studies, role playing, etc.
6. **The Conference Method:** Under this method, a conference is held in accordance with an organised plan. Mutual problems are discussed and participants pool their ideas and experience in attempting to arrive at better methods of dealing with these problems. The members of the group come to teach each other and to learn together. Conferences may include Buzz sessions which divide Conferences into small groups of four or five for intensive discussions. These small groups report back to the whole group with their conclusions or questions. This method is ideally suited for analysing problems and issues, and examining them from different viewpoints. It helps in developing conceptual knowledge, reducing dogmatism and modifying attitudes.

7. **Seminar or Team Discussion:** The group learns through discussion of a paper on a selected subject. The paper is written by one or more trainees. Discussion may be on a statement made by the person in charge of the seminar or on a document prepared by an expert. The material to be analysed is distributed in advance in the form of required reading.

8. **Case Discussion:** Under this method, a real (or hypothetical) business problem or situation demanding solution, is presented to the group and members are trained to identify the problems present, they must suggest various alternatives for tackling them, analyse each one of these, find out their comparative suitability, and decide for themselves the best solution. The trainer only guides the discussion and in the process ensures that no relevant aspect is left out of discussion, and adequate time is spent on each aspect. This method promotes analytical thinking and problem-solving ability. It encourages open-mindedness, patient listening, respecting others’ views and integrating the knowledge obtained from different basic disciplines. Incidentally, it enables trainees to become increasingly aware of obscurities, contradictions and uncertainties encountered in a business. This method is extensively used in professional schools of law and management, and in supervisory and executive training programmes in industry.

9. **Programmed Instruction:** This involves two essential elements:
(a) a step-by-step series of bits of knowledge, each building upon what has gone before, and (b) a mechanism for presenting the series and checking on the trainee’s knowledge. Questions are asked in proper sequence and indication given promptly whether the answers are correct.

TRAINING PRACTICES IN INDIA

Several studies have been made about the training practices in Indian industries. The features of training practices which emerge from these studies are as follows:

1. Only in a few big industrial organisations in our country a variety of training programmes are conducted in terms of specific organisational needs and the peculiarities of the industry concerned. Employees’ needs of training in these organisations are determined through supervisory recommendations, analysis of job performance, analysis of job requirements and employees themselves suggest the type of training needed by them. Small organisations, using simple technology generally rely on entrepreneurial abilities rather than trained managerial talents.

2. In the majority of Indian organisations, training and development have remained neglected and secondary function. Some organisations strongly hold the traditional view than managers are born and not made. These organisations just do not believe in training. In fact, some follow-up studies have also shown that management attitudes hardly changes as a result of training. At the most, managers take home a new vocabulary of management. There are also some organisations think that it is better to get an executive move to them after he has been trained in another Organisation (called ‘executive pinching’) rather than spend on the training of their own employees. In some organisations training facilities offered by various Management Institutes are not availed of because of lack of communication or sufficient contact between them and these institutes.
3. In many organisations training is regarded as a non-essential or peripheral activity rather than a central one. It is more decorative than functional. Some organisations start a training department in order to look modern. In some other organisations training activity is assigned to the personnel department. The low status accorded to this activity is also revealed from the fact that the training departments of several organisations are headed by inconvenient or unwanted employees rather than employees of outstanding merit.

4. Many organisations do not have a separate budget for training and development and in no case the provision comes up to even one per cent of the sales turnover of a company.

5. In the majority of Indian organisations the procedure to select people for various training programmes is irrational. Not infrequently those persons are sent for training who either find themselves at a loose end (no suitable slot being readily available for their posting) or want a holiday at company expense.

6. Many organisations treat the training of their employees as a single shot operation. They do not look upon training as an integral part of their employees’ career plans. Career planning, in fact, is conspicuous by its absence in most organisations. Appointments to even most crucial posts are made more on the basis of pulls and personal preferences than on the basis of employee’s specialised experience or training.

7. There is a great dearth of professional trainers in India. The Indian Institutes of Management, management schools and the Indian Society for Training and Development cannot meet all our needs. With the exponential growth of technology the rate of obsolescence is also accelerating sharply. Many management experts feel that in the twenty-first century professionals would have to relearn their trade thrice over during their lifetime if they have to remain in the race. This would need a very large number of highly professionalised trainers in our country.
SELF-TEST QUESTIONS

1. Define Training. Explain the advantages of training to the employees and the organisations.

2. Make a critical assessment of various methods of training.

3. Write notes on the following:
   (a) Types of Training (b) Need and Significance of Training.

4. Do you think the training programmes now followed in Indian industry are adequate?

5. How big industrial organisations identify training needs?

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LESSON : 8

EXECUTIVE DEVELOPMENT—NATURE, SIGNIFICANCE, METHODS AND TECHNIQUES

INTRODUCTION

Development is a long-term educational process utilising a systematic and organised procedure by which managerial personnel get conceptual and theoretical knowledge. In other words it refers not to technical knowledge or skills in operation but to philosophical and theoretical educational concepts. It involves broader education and its purpose is long-term development. Executive development or management development is a systematic and continuous process through which executives learn advanced knowledge and skills in managing. It is a planned and organised process of learning and growth designed to improve managerial behaviour and performance. Through executive development programmes, management cultivates their mental abilities and inherent skills and they learn to manage effectively.

According to Koontz and O’Donnell, “Manager, development concerns the means by which a person cultivates those skills whose application will improve the efficiency and effectiveness with which the anticipated results of a particular organisational segment are achieved”.

Three features reflect the true nature of executive development. First, executive development involves a change in the behaviour of the executives. It makes executive behaviour more conducive to the achievement of organisational goals. The change that occurs, in managerial behaviour is the cumulative effect of several small steps resulting from the training. Secondly, management development is a never-ending or continuous process because there are no known limits to the degree to which a person may be developed. Executives keep on learning throughout their career with the help of job experiences and by participating in the training programmes. Thirdly, executive development depends more on the efforts of the individual executives than on
the efforts of the Organisation. No programme of executive development can succeed unless the participants have the motivation and capacity to learn and develop themselves. In the words of Koontz and O'Donnell, “manager development, then, is possible if the man has the intelligence and the desire to make the best use of his learning opportunities, if he is well-trained in what he should be doing in each successive position and if he practices management with insight and growing skill”. Thus, executive development may be described as the “self-development” of executives.

**MEANING OF EXECUTIVE DEVELOPMENT**

Executive Development is a systematic process of training and growth by which managerial personnel gain and supply skills, knowledge, attitudes and insights to manage the work in their organisations effectively and efficiently.

**EXECUTIVE DEVELOPMENT CONCEPTS**

A sound programme of executive development has to be based on the development of concepts evolved in the past. The more important of these are given below:

- Executive Development is not a ‘one shot’ affair but continues throughout an executive’s whole professional career.
- There always exists some gap between actual performance and capacity, which provides considerable opportunity for improvement.
- Increased understanding of others, their behaviour and attitude, and of oneself definitely aids in managing, and contributing to personal development.
- There are certain forces which may retard further growth, for example, age, habits, reduced motivation.
- Development seldom takes place in a completely peaceful and relaxed atmosphere. Growth involves stresses and strains.
- Development requires clear-cut objectives and goals which are to be achieved or attained, and the ways and methods of achieving these.
Participation is essential for growth. Spoon feeding seldom brings significant or lasting improvement.

Feedback from a superior to a subordinate and from a group to an individual is necessary for the recognition of shortcomings and for keeping oneself in touch with the progress that has been achieved.

An important responsibility of the personnel departments is, that of development.

**OBJECTIVES OF EXECUTIVE DEVELOPMENT**

Any programme of executive development must aim at achieving the following objectives:

- To assure the Organisation of availability of required numbers of managers with the required skills to meet the present and anticipated future needs of the business.
- To encourage managers to grow as persons and in their capacity to handle greater responsibility.
- To improve the performance of managers at all levels in the jobs that they hold now.
- To sustain good performance of managers throughout their careers.

Executive development must relate to all managers in the Organisation. It must lead to growth and self-development of the Organisation. Its focus should be on future requirements rather than those of today. Executive development must be dynamic and qualitative, rather than static replacement based on mechanical rotation.

**NEED FOR EXECUTIVE DEVELOPMENT**

A business Organisation has to develop the potential of all those who are in management positions or who are fresh from management institutions and have the potential for development. This development is necessary because of the following reasons:
Society is facing a rapid rate of technological and social change. Management personnel need to be developed as they have to tackle problems arising out of introduction of automation, intense market competition, growth of new markets, enlarged labour participation in management and greater interest being taken by the public and the government in various activities of business.

Business and industrial leaders are increasingly recognising their social and public responsibilities which call for a much broader outlook on the part of management.

Managers have to be developed for handling problems arising out of increasing size and complexity of the organisations.

Management labour relations are becoming increasingly complex.

To understand and adjust to change in socio-economic forces, including changes in public policy and concepts of social justice, industrial democracy, problems of ecology (smog or pollution), ekistics (the problem of human settlements), ergonomics (the problem of working environment and cultural anthropology (the problem of fitting machines to men).

SIGNIFICANCE OF EXECUTIVE DEVELOPMENT

Executive development programmes initiatives make spectacular contribution to organisational development in many ways, viz.:

i) Executive development enables an organisation to develop its managers in the organisational culture which the top management wants to establish in their organisation.

ii) It helps to inculcate an organisational philosophy in individual executives and managers.

iii) It facilitates to develop an organisational commitment in individual executives and managers.
iv) Executive development initiates an organisational renewal process in the Organisation.

v) It helps in building up an executive inventory; i.e., managers are developed today for taking up challenges tomorrow.

vi) It enables the human resources manager and the top management to identify managers for managerial succession.

vii) It facilitates to wipe out the misunderstandings and unrealistic grievances in the minds of individual managers and executives.

viii) It enlightens the key managers and executives shape their thoughts, views and values in a way the organisation wants it.

ix) It enables the managers to get enlightened in the technical developments which take place in the organisation.

x) It develops intelligent and committed leadership in an organisation.

xi) Managers get to know each other creating a window on the management thought and the changes which take place in the realm of management.

xii) Managers are enabled to update themselves and their knowledge.

xiii) Executive development enables an organisation to identify its training needs.

xiv) Managers learn to be participative so that they would encourage participative management in their actual work place.

xv) Executive development programmes help in T-Group formation which may work as motivation group or consulting group for executives in their work place.

xvi) Executive development programmes provide an opportunity for the top management to communicate corporate policies, strategies and directives to selected managers informally, particularly when formal communication of such policies would be inappropriate.
xvii) It gives an opportunity to the managers for introspection as to where they stand and where should they reach, so that they would be able to develop themselves in accordance with what the Organisation expects of them.

Thus, executive development programmes bring in a greatly needed vitality, potentiality and renewal in an organisation. The individual managers and executives in particular, and the whole organisation in general, undergo a revitalisation and revival process through and executive development programmes. Hence, no organisation, which is active in its business, can afford to be passive towards executive development. According to the organizational needs and situational factors a suitable method can be chosen for executive development.

**METHODS/TECHNIQUES OF EXECUTIVE DEVELOPMENT**

A. wide variety of techniques are available for the development of executives. These techniques may broadly be divided into the following categories:

1. On-the-job methods:
   (i) Coaching
   (ii) Under study
   (iii) Position rotation
   (iv) Special projects of task force
   (v) Committee assignments

2. Off-the-Job Methods:
   (i) Special courses
   (ii) Case study
   (iii) Conference
   (iv) Role playing
(v) Management or business games

(vi) Multiple management

(vii) Sensitivity training

(viii) Syndicate

(ix) Transactional Analysis

(x) Lecture Method

(xi) Selective readings

**On-the Job Executive Development Methods**

(i) **Coaching and under study:** Under this method, an executive learns by doing the job. A senior executive acts as the coach or counselor and is assigned the responsibility of seeing that the trainee learns the necessary skills. The trainee receives personal instruction and guidance, from his boss. In case of understudy, the trainee is specifically designated as the heir-apparent to the manager and is expected to fill up the vacancy of the later. He learns by observing and assisting his boss. Learning by doing avoids the problem of adjustment after training. But the superior may not have sufficient time and incentive for training the subordinate. Moreover, this method perpetuates deficiencies in the existing managerial practices.

(ii) **Position Rotation:** Position rotation refers to the rotation of the trainee from one job to another so as to widen his knowledge and skills. According to Bennett, “job rotation is a process of horizontal movement that widens the managers experience horizons beyond the limited confines of his own”. Job rotation broadens the background and understanding of the trainee. But it is difficult to identify the jobs for rotation. Unless the programmes of position rotation is administered very carefully, it may lead to problems of morale and indiscipline. This rotation can be of different types:
Rotation in non-supervisory work situations: Here the individual is assigned to predetermined jobs within a list of departments for a given period of time and he acquaints himself with a range of activities undertaken by the firm Rotation in observation assignments: Opportunities are created for individuals to observe a group of department managers and to acquaint themselves with various managerial problems and their solutions. This gives them an opportunity to ‘sell’ themselves and to learn the type of work they would like to do.

Rotation among managerial training positions: Certain managerial positions are designated as training stations which are successfully occupied by trainees. The purpose is to give actual supervisory experience in a variety of positions in several departments.

Middle-level rotation in ‘assistant’ position: The individual are shuffled as assistant managers in several departments to broaden their experience at a high level in each department.

Unspecified rotation among managerial positions: This is aimed at giving managers responsible experience in a variety of positions. Job rotation has many advantages:

(a) It provides opportunity for the executives to get themselves acquainted with the various functional areas and tasks other than their routine assignments.

(b) It enables the executives to familiarize with many phases of the company’s operations. Such executives gain greater wisdom and understanding about the various aspects of the company’s operations so that they will become prudent decision-makers.

(c) Through periodic introduction of new managerial view points, eliminating practices or operations, it streamlines the organisation.

(d) It stimulates the development of executives.
(e) It demonstrates the versatility, capability and vitality of executive in a particular job indicating his inclination to that job, department or function.

(f) It provides a ground for placing individuals on jobs for which they are best suited.

(g) It eliminates any situation where the efficiency of the organization is impaired by lack of cooperation between individuals.

(h) It minimizes friction, because of the periodic changes from one job to another.

(i) It makes all-rounders in an organisation.

(j) It helps the organisation to choose the best suited executive for every position.

(iii) **Special Projects:** Under this method, a trainee is assigned a project that is directly related to the work of his department. For instance, trainee in the accounts department may be assigned the project of developing a budgetary control system. The trainee will study the problem and make recommendation for its solution. By working on this project, the trainee learns the technique of budgeting and understands the organizational relationships between the accounting and other departments. As a member of the task force, the trainee learns to work with other executives possessing different viewpoints.

(iv) **Committee Assignments:** A committee assignment is a very useful training device. The trainee is made a member of the committee which is constituted to discuss a particular problem and to make recommendations on it. Through discussions and deliberations in committee meetings the trainee gets acquainted with different viewpoints and acquires a general background. Membership of the committee provides an opportunity to the trainee to interact with and learn from the experienced executives. This method is very useful provided the committee does not become a hotbed of controversy or the domain of a few vocal members.

(95)
Off-The Job Executive Development Methods

(i) **Special Courses:** Special courses are designed by the company itself or by educational institutions. Selected executives are sponsored to attend such courses. They are taught through lectures, seminars, films, workshops, group discussions, etc. In India, management associations, productivity councils, universities and institutes conduct executive development programme in which special courses are taught.

(ii) **Case Study:** A case is a written description of a real life organisational problem. The trainees are given a case to discuss and make suggestions in respect of the problems involved in it. Therefore, this method is also known as ‘problem-solving’. The trainees learn analytical and reasoning ability. Their ability to evaluate facts and appreciate others’ viewpoint is increased. They come to understand that there is no single answer to a problem. A well-chosen case problem can broaden the knowledge horizon of people provided the case discussion does not degenerate into a rambling session. Case study method was developed by the Harvard Business school of USA and it is frequently used in training programmes for supervisors and executives. Case studies are very popular in teaching marketing management, human relations, business policy, personnel management, law and financial management.

(iii) **Conference Method:** A conference is a group meeting in which the members participate in discussion on some topic. Conference members discuss under the guidance of conference leader. Sometimes, the conference is divided into small groups which conduct intensive debates and report back to the conference. The purpose of the conference is to develop the knowledge and understanding of the participants. Every member can learn from others by comparing his viewpoint with others view points. The conference leader can acquire the skills to motivate and direct people. The success of conference training depends on the leader’s ability to guide the discussion and on the willingness of the members to participate actively and constructively.
(iv) **Role Playing:** Role playing refers to the process in which the trainees act out samples of real business behaviour. The role players are given a written or oral description of the situation and the role they are to play. They are allowed sufficient time to plan their actions after which they have to play their parts spontaneously before the class. For instance, a trainee may play the role of a supervisor discussing a grievance with an employee or a salesman making a presentation to the customer. Through role playing the executives can learn human relations skills. Role playing provides an opportunity to the trainees to develop an insight into one’s own behaviour and its effect upon others. It makes the trainees self-conscious and helps to develop interpersonal skills. Role playing technique is very useful for human relations training, leadership training and sales training. But the role players feel little responsibility for the roles which they play because of the artificial situation.

(v) **Management or Business Games:** A management or business game is a classroom exercise in which teams of executives complete against each other to arrive at correct decisions on certain business problem. The game is a close representation of real life conditions. As the business conditions are simulated in a game, this method is also known as simulation training. In the management games, trainees are asked to make decisions about production, sales, inventory, research and development cost, etc. A variety of management and business games are being used with varying success in executive development programmes. Management game device provides, training in decision making under uncertainty and experience in team-work. However, management game is not exactly a real life situation and the trainees lack responsibility for the decisions.

(vi) **Multiple Management:** The technique of multiple management was developed by Mr. Charles P. McCormick of the McCo’Tinick Company of Baltimore, U.S.A. Under this method, junior board’s, or permanent
advisory committees of executives are constituted. These boards or committees study problems of the Organisation and make recommendations to the Board of Directors. The junior board of directors has the power to discuss the problems with the senior board (constituted by the shareholders) but the final decisions are made by the senior board. In this way the junior executives learn the ability for decision-making and control. No one is allowed to become a member of the senior board unless he has served as a member of the junior board.

(vii) **Sensitivity Training:** Sensitivity training or T-group training involves interaction in small unstructured groups under conditions of stress so as to develop awareness and sensitivity to behaviour patterns of oneself and others. It is also known as laboratory training in which the trainees are encouraged to deal with specific issues related to organisational effectiveness. A trainer is present to assist the group in its learning. It is an intensive experience in interpersonal relationships which results in a change in feelings and attitudes of the trainee. T-group training seeks to increase tolerance power of a person and his ability to understand others. Sensitivity training programmes are held under controlled laboratory conditions. T-groups help the trainee to understand group behaviour and to discover others’ interpretation of his own behaviour. The experience in a T-group is more emotional than conceptual.

(viii) **Syndicate:** Under this method, a team of persons of mature judgment and proven ability is set up with different functional representation so that there is an exchange of ideas and experiences. The syndicate is given a task properly spelt out in terms of briefs and background papers. Large groups are split into smaller ones of 8-10 persons each and discussions are supplemented by short lectures. The teacher acts as a ‘resource’ person rather than as a lecturer. This method enables an executive to acquire a proper perspective on his job in relation to the activities in areas other than his own.
(ix) **Transactional Analysis (T.A.):** In this practice is assumed that people have three basic ‘states of being’ - Parent, Child and Adult. These states or traits are manifest in their transactions (dealings) with others through words, manner, appearance and gestures. If the Parent trait is strong the person has a tendency to approach transactions as a regulator and evaluator of others. Persons influenced by the Child trait tend to feel inferior and dominated. Those with the Adult trait view life as it is experienced in reality one figures it out by oneself—not as one was taught (Parent) or how one wished or fancied it to be (Child). Two persons with the Adult trait will conduct a transaction with thoughts and recognition of mutual worth. T.A. training can lead to modified behaviour by providing personal insights.

(x) **Lecture Method:** Lecture method has been the most popular method to train’ and develop people traditionally. There has not been any other method used as extensively as lecture for educating the people. Even in learning the profession of management, this method has a pivotal role. The trainer or the lecturer has the greatest degree of control in a lecturing session. Though one way communication is generally the crux of a lecture session, skillful lecturers keep the session interesting to the learners by ensuring their participation. Instructors, who are skilful enough to stimulate the session through new ideas, humorous anecdotes and illustrations, would be able to make the lecture sessions very effective. An effective lecture provides a means of transmitting information, ideas, know-how and knowledge. Persuasive quality of an instructor is very useful to gain attentive audience from his students.

In effectively using lecture for executive development, the following conditions have been suggested by Willard E. Bennett.

(i) It should be used sparingly - two or three times a year.

(ii) It will more readily be accepted by people who have several years of conventional training.
(iii) The subject-matter should be carefully chosen as applying to the specific area.

(iv) The approach can be largely theoretical, but with the help of visual aids.

(v) The in-plant leader should take care not to create the impression that the material is his own. The author or authors from whose writing the lecture is drawn should be introduced very much as though they were actually present. Where possible, the books and documents should be on display.

(vi) The leader should stress that the application of the ideas should be at the option of the individuals based on the respective situations.

(x) Selective Readings: Management has become a specialised job requiring a close touch with the latest techniques and experiences in the field. Therefore, every executive must undertake selective readings as a part of his daily routine. By reading selected books, articles, etc., dealing with recent findings and new techniques in management, executives can avoid the obsolescence of their knowledge. No executive can afford to rely solely on others to keep him informed of innovations in management and he will have to read the management literature himself. Selective readings constitute a self-development programme for executives.

ORGANISATIONAL DEVELOPMENT CLIMATE FOR EXECUTIVE DEVELOPMENT

Organisational climate means the circumstances or conditions in which the management guides the development and growth of people at all levels by training, counseling, delegation and communication. This refers to the manner in which things are managed, the way people are treated, the extent of delegation of authority, system of encouraging ideas, initiative and enterprise, opportunity for experimenting and testing new concepts, tools and techniques for projection of a company’s goals, policies and philosophy. Executive development is not possible unless a favourable climate for it is created in the Organisation.
There must be definite, comprehensive and coordinated plan for the development of managers. It should be drawn after consultation with the people concerned and communicated to all those who have to administer and function under it. It must begin with the top so that management at that level may set an example.

**SELF-TEST QUESTIONS**

1. What do you understand by executive development? Explain briefly the methods of executive development.

2. Analyse the need and significance of executive development programmes.

3. Contrast the values of on-the-job executive development techniques with off-the-job techniques.

4. Distinguish between training and education. Are you trained or educated by a university?

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9.1 Introduction

Performance appraisal is one of the most important tasks performed by a manager. It is an integral part of the system of managing. It forms the basis for several important decisions concerning employees. These decisions may concern determining employee training requirements, salary increments, promotion, etc. However, making an assessment of employees' performance is a complex and delicate task. It is not always easy to judge a subordinate’s performance accurately. Further, it is even more difficult to convey that judgement to the subordinate in a constructive and painless manner. To ensure rational appraisal of employee performance, formal systems of performance appraisal have been developed by modern day organizations.

Performance appraisal implies systematic or formal evaluation of the individual with respect to his performance on the job and his potential for development. It is the rational and continuous process of evaluating the performance of employees on a particular job in terms of the job requirements. According to Dale Yodser, performance appraisal consists of “all formal procedures used in working organization to evaluate personalities and contributions and potentials of group members”.

According to Wendell L. French, “Performance Appraisal and review is the formal, systematic assessment of how well employees are performing their jobs in relation to established standards and the communication of that assessment to employees.

According to Edwin B. Flippo, “Merit rating is a systematic, periodic and, so far as humanly possible, an impartial rating of an employee’s excellence in matters pertaining to his present job”.

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According to Kimball and Kimball, “Merit-rating has to concern with the relative value of men as related to particular job”.

In the organization context, performance appraisal is a systematic evaluation of personnel by superiors or others familiar with their performance. Performance appraisal is also described as merit rating in which one individual is ranked as better or worse in comparison to others. The basic purpose in this merit rating is to ascertain an employee’s eligibility for promotion. However, performance appraisal is more comprehensive term for such activities because its use extends beyond ascertaining eligibility for promotion. Such activities may be training and development, salary increase, transfer, discharge, etc. besides promotion.

Performance appraisal is a systematic and objective way of judging the relative worth or ability of an employee in performing his job. Thus it emphasizes on two aspects: systematic and objective. The appraisal is systematic when it evaluates all performance in the same manner, utilizing the same approaches so that appraisal of different persons is comparable. Such an appraisal is taken periodically according to plan; it is not left to chance. Thus both rates and rates know the system of performance appraisal and its timing.

Informal appraisal tend to take place on an ongoing basis within the organization as supervisors evaluate their subordinate’s work and as subordinates appraisal each other and their supervisors on a daily basis. But systematic, formal appraisal of an individual employee is likely to occur at certain intervals throughout that person’s history of employment for example, a person may be appraised when he or she is considered for employment, during the first few days on the job, at the end of six months and each six months thereafter to review the person’s salary and to determine any needs for improvement, and at the end of a few years to assess suitability for promotion. In a sense, then, the appraisal process as it applies to an individual employee is cyclical, in that it tends to be repeated again and again. It is important to recognize that performance appraisal, in addition to being periodic, should be an ongoing process.

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9.2 Significance of Performance Appraisal:

Performance appraisal is important in organizations because of the numerous purposes for which it employed and its impact on individuals as well as the organization.

A study of appraisal practices in America and Indian companies suggests that performance appraisal is used for determining wage increase, promotion and transfer, discovering supervisory personnel, training and development, and informing employee where he stands in that order.

Two other studies of performance appraisal practices, one by Rudravasavaraj and another by Malthi Balar have found that Indian companies use performance appraisal primarily for three reasons: (i) to determine salary increase, (ii) to facilitate organizational planning and placement of people, and (iii) to determine training and development. Besides these, other objectives of performance appraisal are informing employee where he stands, follow up interviews, personnel research, and to help superiors to know their subordinates. Performance appraisal helps in various cases.

(a) Training:

Performance appraisal tries to identify the strengths and weaknesses of an employee on his present job. This information can be used for devising training and development programmes appropriate for overcoming weaknesses of the employees. In fact, many organizations use performance appraisal as means for identifying training needs of its employees.

(b) Pay Increase:

Performance appraisal plays significant role in making decision about pay increase. Salary increase of an employee depends on how he is performing his job. There is continuous evaluation of his performance either formally or informally. In a small organization, since there is a direct contract between the employee and the one who makes decisions about salary increase, performance appraisal can be an informal process. In large organization, where such contract
hardly exists, formal performance appraisal has to be undertaken. This may disclose how well an employee is performing and how much he should be compensated by way of pay increase.

(c) **Feedback:**

The person who gets feedback about his performance and he may try to overcome his deficiencies which will lead to better performance. Performance appraisal provides feedback to employee about their performance. It tells them where they stand. A person works better when he knows how he is working; how his efforts are contributing to the achievements of organizational objectives.

(d) **Promotion:**

Most of the organizations often use a combination of merit and seniority for promotion. Performance appraisal discloses how an employee is working in his present job and what are his strong and weak points. In the light of these, it can be decided whether he can be promoted to the next higher position and what additional training will be necessary for him. Performance appraisal can be used for transfer demotion and discharge of an employee.

(e) **Pressure on Employees:**

Performance appraisal puts a psychological pressure on people to improve job performance. If the employees are conscious that they are being appraised in respect of certain factors and their future largely depends on such appraisal, they tend to have positive and acceptable behaviour in this respect.

(f) **Desire for Improvement:**

Performance appraisal promotes a desire for improvement among employees. The confidence and morale of employees are increased when they are convinced that management evaluates them impartially and rewards individual performance. By creating a desire to be related high, performance appraisal stimulates higher level of performance on the part of employees.
(g) **Impact on the Individual:**

Because of the importance of performance appraisals to employees, the appraisal methods used and the manners in which results are communicated can have positive or negative effects on employees’ morale. When appraisals are used for discipline, pay increases, promotions, discharges, or layoffs, they are likely to be regarded with apprehension by those employees who tend to underestimate themselves, by the less productive members of the organization, or by those who feel appraisals will be arbitrary or unjust. Similar feelings result when employees don’t know or understand the criteria being used to assess them, or when they see the appraisal as overly critical rather than helpful. More employees understand about the appraisal process, and the more appraisals are used as developmental opportunities rather than occasions for criticism, the more the need for self-actualization will be satisfied.

(h) **Impact on the Organization:**

The performance appraisal system, has major effects on the organization. In addition to such matters as making compensation and promotion decisions and in providing feedback on performance, the results of the appraisal process can supply useful data about the success of other personnel activities such as recruiting, selection orientation, and training. If the appraisal process reveals that a significant number of employees are deficient in some area of skill or knowledge modifications can be made in these other personnel areas. In large organizations, the results of appraisals are often used as criteria to study the validity of selection procedures. Performance appraisal facilitates various decision concerning manpower planning and development.

**9.3 Steps in Performance Appraisal:**

Before the performance appraisal is undertaken the following decisions, may be taken to ensure reliable and valid results of the process:

(1) The purpose of conducting the performance appraisal must be decided in advance. The appraisal is concerned with the following:
a) Promoting understanding between the supervisor and his subordinate;
b) Highlighting employee needs and opportunities for personal growth and development;
c) Creating a satisfactory level of performance of employees in their present job;
d) Providing a useful criteria for determining the validity of selection and training methods and techniques and forming concrete measures for attracting individuals of higher caliber to the enterprise;
e) Aiding in decision-making for promotions, transfers, lay-offs, and discharges.

(2) To what range of employees it should be extended must be specified. All employees of an organization should be appraised the operator to the top-level management need be appraised for one reason or the other.

(3) To decide who will evaluate employees. Determining who will evaluate employees is critical in designing the appraisal program. It is generally conceded that appraisal by the immediate supervisor is necessary and the most effective method. However, other persons are sometimes involved in the appraisal process and in various combinations.

i) Supervisor Appraisals:

    Supervisor observes the subordinate’s performance to judge how well and performance serves the goals of the unit and the organization. Supervisors has the formal authority to conduct appraisals and usually controls the rewards for performance.

ii) Self Appraisal:

    In some organizations, subordinates appraise their own performance. Research suggests that self-appraisal has limited usefulness as an evaluative tool but has much more promise as a development tool. Self appraisals can be combined with supervisor appraisal, to yield more useful results. In this
system, the supervisor and the employee independently prepare evaluations and then meet to discuss their assessment. They then focus on future responsibilities, improvement plans, development activities, career objectives, and performance summary. One advantage of the combined approach is that the two independently prepared evaluations provide a formal basis for a discussion to clarify supervisors’ and subordinates’ expectations and perceptions.

iii) Peer Appraisals:

Peer appraisals were used in only 5 per cent of 3,052 organizations surveyed in 1989. However, they do have the advantage of being relatively reliable, partly because peers interact with each other on a daily basis and partly because the use of peer raters presents a number of independent judgements. Some firms, such as Schreiber Foods have found employees to be generally satisfied with peer appraisal systems.

iv) Subordinate Appraisals:

Like peer ratings, appraisals by subordinates are not widely used. Some businesses, however, have used subordinates’ ratings of their supervisor to help the supervisors and improve their own performance. In some colleges and universities, students’ rating are used to help professors improve lectures and course content.

v) Consumer/Outside Appraisal:

Appraisals from informed outsiders are sometimes used. For example, some universities solicit appraisal of the scholarship of candidates for academic promotion from scholars at other universities: Appraisal from customers will probably grow importance with the spread of Total Quality Management Programs.

vi) Group Or Committee Appraisals:

Group or committee procedure has been supported on the grounds that several people who know the subject of the rating can provide more data than
the supervisor alone. This procedure is used frequently in colleges and universities, with higher ranking professors evaluating those of lower rank. A version of this procedure applicable to any type of organization, is to use a committee of four to eight raters selected by the employee.

One of the raters is the immediate supervisor, but others could be peers, subordinates, or higher management.

(4) What is to be rated is to be determined. Whether it is present performance or potential performance that is to be rated. If it is present performance, what is to be tested, whether physical accomplishment, artistic turnout or skill or abilities of employee’s etc. The want of appraisal consists in appraising non-supervisory employees for their current performance, and manager for future potential. It includes evolution of human traits like co-operation, self-control, punctuality, relationships with seniors and juniors, etc.

(5) What are the rules to be observed? Some of the pre-requisites of appraisal are given below:

i) A job analysis has been conducted to determine characteristics necessary for successful job performance.

ii) Supervisors are trained in the use of the instrument, and standards are applied uniformly to majority and minority employees.

iii) Evaluations and termination decisions are backed up with documentation of sub-standard performance.

iv) Performance counseling is used to help below – standard performers improve their performance.

v) There is a formal appeal mechanism and/or review of rating by upper management.

(6) When will the appraisal be made? It deals with frequency of appraisal. It has been suggested informal counselling should occur continuously.
The managers should discuss an employee’s work as soon as possible after he has judged it. He should use good work as an opportunity to provide, positive reinforcement and use poor work as a basis for training.

In most organizations, employees are formally evaluated once a year, in others twice a year. New employees are rated more frequently than the older ones. The time of rating should not coincide with the time of salary reviews, for if the two occur together constructive evaluation and considerations of self-development will probably take second place to the pressures of pay.

9.4 **Methods of Performance Appraisal:**

i) **Straight Ranking Methods:**

It is the oldest and simplest method of performance appraisal, by which the man and his performance are considered as an entity by the rater. The “whole man” is compared with the “whole man” that is the ranking of a man in a work group is done against that of another. The relative position of each man is tested in terms of his numerical rank. It may also be done by ranking a person on his job performance against that of another member of a competitive group by placing him as number one or two or three in total group; i.e. persons are tested in order of merit and placed in a simple grouping.

This is the simplest method of separating the most efficient from the least efficient; and relatively easy to develop and use. But the greatest limitation of this method is that in practice it is very difficult to compare a single individual with human beings having varying behaviour traits. *Secondly* the method only tells us how a man stands in relation to the others in the group but does not indicate how much better or worse he is than another. *Thirdly*, the task of ranking individuals is difficult when a large number of persons are rated. *Fourth*, the ranking system does not provide us with a systematic procedure for determining the relative rank of subordinates.

ii) **Paired Comparison Technique:**

By this technique, each employee is compared every trait with all the
other persons in pairs one at a time. With this technique, judgement is easier and simpler than with the ordinary ranking method. The number of times each individual is compared with another is tallied on a piece of paper. These numbers yield the rank order of the entire group. For example, if there are five persons to be compared, then A’s performance is compared to B’s and a decision is arrived at as to whose is the better performance. Then A is compared to C, D and E...... in that order. Next B is compared with all the others individually. Since he has already been compare with A, he is compared only with C, D and E. A similar comparison is made in respect of other personnel. Thus, by this method we arrive at ten decisions, and only two are involved in each decision. The number of decisions is determined by the formula N (N-2), where N represents the number of persons to be compared.

The results of these comparisons are tabulated, and a rank is assigned to each individual.

This method is not suitable when a group is large because, in that case, the number of judgements becomes excessively large.

iii) Grading

Under this method, the performance of the employees is evaluated against certain grades such as poor, good, very good, excellent, or outstanding, satisfactory unsatisfactory. The grade which describes his performance can be allocated to him.

iv) Graphic Scales

In this method, performance of an employee is evaluated against certain specific factors. Five degrees or scales are established for each factor and each degree is defined. This method is most widely used in merit rating and is also the oldest.

The factors to be selected are of two types:

i) Characteristics of employee Viz., initiative, ability to learn, dependability, etc., and

(111)
ii) Contributions of employees viz., quality and quantity of output, safety record, etc.

For example, four factors selected for merit rating may be:

(a) Quality of output (b) Quantity of output (c) Dependability (d) Attitudes toward associates and superiors. The scales or degrees may be constructed as follows:

<table>
<thead>
<tr>
<th>Quantity of Work</th>
<th>Poor</th>
<th>Fair</th>
<th>Good</th>
<th>Very Good</th>
<th>Excellent</th>
</tr>
</thead>
</table>

Usually, the other factors considered for merit rating in addition to four discussed above are; co-operation, personality, health, attendance, knowledge of job initiative, safety, potential for development. For each factor appraises can name five degree as explained above. The crucial part of this method is, therefore, the determination of factors and their degrees. The following definitions may be given for these degrees:

Poor - Lazy, not interested in his work.
Fair - Does his job without any interest in his work.
Good - Does his job with interest.
V. Good - Good keen employee.
Excellent - Exceptionally hard-worker.

Graphic rating scale is more reliable because an attempt is made to measure the traits of an employee. The scale reveals the merit in terms of both performance and potential in analytical form. It provides some kind of a scale for measuring absolute differences between individuals. It can be used as a standard device for rating and comparing employees in a uniform manner. The main draw-back of this method is that the rater’s bias will affect the accuracy of the ratings. In practice, ratings tend to cluster on the middle or higher end
of the scale. A supervisor may tend to rate his workers high to present a better image for himself. All the traits are given equal weightage which is not proper. Moreover, there is a heavy burden on the rater who has to evaluate and report on as many as five degrees of every trait or factor. The rater’s bias can be reduced by requiring the rater to explain the reason for his rating. A blank space may be kept after each factor and the rater has to justify his rating by giving some evidence.

v) Check List Method:

Another relatively straightforward appraisal approach uses the check list method. Under this approach, the rater is presented with a list of positive or negative alternatives or descriptive behavioural statements and is asked to check off all those that apply to the person being rated. A score can be developed by tallying the positive checks. The following are illustrative check list statements:

- Cooperates with coworkers
- Keeps workstation near and clean
- Can be expected to complete work on time
- Maintains detailed records
- Reluctant to ever work overtime
- Cannot accept constructive criticism

In a basic check list approach, all items are considered to be of equal value. Great sophistication occurs with the use of a weighted check list, in which each item receives a weighted value based on its perceived importance to successful job performance. Weighted values are determined by those highly familiar with the job.

Check lists are easy to use and are not subject to such rating errors as central tendency or leniency. They are not problem free, however. Because it is important that items in the list be relevant to the job, it may be necessary
to develop different lists for different job categories. The process of weighting is difficult and requires professional assistance. Supervisors often complain about “being in the dark” with this approach. They are not sure what the items measures, and they have difficulty interpreting the results. This, of course, hinders the developmental counseling aspect of the appraisal process.

vi) Forced Choice Description Method

This method was evolved after a great deal of research conducted for the military services during World War II. It attempts to correct a rater’s tendency to give consistently high or consistently low ratings to all the employees. The use of this method calls for objective reporting and minimum subjective judgement. Under this method, the rating elements are several: sets of pair phrases or adjectives (usually sets of four phrases two of which are positive, two negative) relating to job proficiency or personal qualifications.

Under this method the rater is forced to select a statement from a pair of statements though both may be applicable or inapplicable to him. A pair of unfavourable statements may be as follows:

(a) Makes promises that he knows he cannot fulfill.
(b) Shows favour to certain employees.

He must choose at least one though none may be applicable on the employee. The positive statements may be as follows:

(a) Has a constant flow of new ideas
(b) Shows careful judgement.

Even though both these statements may be applicable, the rater must select only one statement. Thus, bias or prejudice (halo effect) of the rater can be eliminated from merit rating under this method. However, this system is not popular on account of the following limitations:

(a) It is very difficult to keep secret of the values attached to various statements.
(b) The rather usually objects this method as he is forced to make a decision which he does not want to make.

(c) This method is unsatisfactory. Both the rates and rates object this method.

vii) Essay Method:

In the essay method, the appraiser writes a free-form essay describing the subordinate’s performance in a number of broad categories. Some categories that can be included in these forms are (1) overall appraisal of the employee’s performance, (2) the employee’s promotability, (3) various jobs the employee can currently perform, (4) the employee’s strengths and limitations and (5) additional training needs. Sometimes essay appraisals supplement other appraisal methods rather than substituting for them.

This approach gives the appraiser flexibility by not requiring attention to specific set of factors. On the other hand, because of the method’s open-endedness it is difficult to compare essay appraisals made by different supervisors. The method is also dependent on the writing skills of the supervisor and is a time-consuming procedure.

viii) Critical Incidents Method:

Under this method, employees are evaluated on the basis of the behaviour of an employee during a significant or exceptional situation. The exceptional events or occasions are known as critical incident’s. Each incident represents a critical situation in the course of work and the reaction of an employee during it reflects his success or failure. Raters are required to record the reactions of an employee during the critical situation. The strengths and weaknesses reflected in the reaction are given scores or ratings.

The example of a positive critical incident would be the following:

Employee stayed late to correct machine malfunctions that were causing high number of product rejects for poor quality. Correction of problem enabled completion of special project on time.
An example of a negative critical incident would be the following:

After repeated warnings to follow all safety procedures, employee failed to close shut-off valve, thereby flooding entire work area.

This methods avoids the subjective judgement and bias of the supervisor. Ratings are based upon concrete evidence in the form of the conduct of employees. The reactions reflect the judgement, presence of mind initiative, dependability and other traits of the individual. The main drawback of this method is that critical incident occur so infrequently that the appraisal of an employee may not differ significantly between two given time periods. If the critical situation does not happen, it is difficult to appraise an employee. Moreover, it may be difficult for a rater to decide what is the critical or exceptional incident. The supervisors have to record the incidents as soon as they occur otherwise they may forget the incidents. They may be accused of spying. Human bias may occur in recording the critical incident.

9.5 Demerits of Traditional Techniques:

Many of the above traditional performance evaluation techniques have internal weaknesses. For example:

1. Managers generally are not qualified to assess personality traits, and most managers are even not properly trained to conduct evaluation and performance interviews. They have very vague notions of the purpose of evaluations. Hence, they do a poor job.

2. Some managers discourage good performance by overemphasizing shortcomings and almost neglecting good work. Others have little effect on poor workers because they tend to sugar-coat their criticisms. Consequently the real message is lost.

3. Rater’s personality also plays an important part in the effectiveness of evaluation programmes. Some raters are by temperament overtly harsh and give low ratings to all subordinates. Others are too lenient and give everyone a good rating; some raters play favourites, some are victims of ‘halo’ effect.
4. The relative status of raters in their organization is a factor that is important to the validity of performance appraisal. Using more raters or endorsements by a superior reduces rater bias and increases validity of appraisals.

9.6 Modern Methods of Appraisal:

As we have seen most traditional methods emphasis either on the task or the worker’s personality, while making an appraisal. In order to bring about a balance between these two, modern methods, have been developed. Of such methods, the most important are:

(i) Management by objectives

(ii) Human Asset of Accounting Method

(i) Management by objectives

Management by objectives (MBD) is a system that features an agreement by a superior and a subordinate on the subordinate’s objectives for a particular period and a periodic review of how well the subordinate achieved those objectives. An attempt is usually made to write objectives in quantitative terms, although some experts believe that certain objectives or targets can and should be stated in qualitative terms.

The MBO system generally includes the following steps:

1. The supervisor and the subordinate mutually agree on the primary elements of the subordinate’s job.

2. The supervisor and the subordinate mutually agree on the subordinate specific objectives for the specified period (usually six months or a year)

3. The subordinate establishes a plan of action necessary to meet each objective.

4. During the specified period, the subordinate periodically reviews progress toward objectives, perhaps, perhaps jointly with the supervisor.
Progress check may indicate the need to change action plans or modify objectives.

5. At the end of the specified period, the supervisor and subordinate meet to jointly evaluate the subordinate’s performance on objectives.

**Advantages:**

Perhaps the greatest benefit of MBO is that it provides an objective, performance based method of appraisal. At the individual level, MBO can give individual employees greater direction and self-control, build their self-confidence, motivate them, improve their performance. Further their growth and development, and provide them with full knowledge of the criteria on which they will be evaluated. In an inter-personal sense, MBO can enhance superior-subordinate relationships, improve communications, and provide a better coaching framework. Possible organizational benefits include better overall performance, identification of management advancement potential and developmental needs, better coordination of objectives, and less duplication and overlap of duties and activities.

Analysis of the research shows that when top-management commitment has been high, the average gain in productivity under MBO programs has been 56 per cent. Productive gains were shown in sixty-eight, out of the seventy research studies.

**Disadvantages**

The MBO approach should not be viewed as a perfect system. When effectively used, MBO programs are systems of joint target setting and performance review. When a superior’s ‘directives are unreasonable however, the MBO program can become a one-sided, autocratic, and time-consuming mechanism. Other potential problems include the following:

1. Too much emphasis on measurable quantitative objectives can lead to neglect of other important responsibilities.
2. Emphasis on measurement and quantification may result in sacrifice of quality of work.

3. If evaluation is based on goal attainment, subordinates may be inclined to set low goals so as to ensure their attainment.

4. There may be a tendency to set and enthusiastically adopt only those objectives that are important to one’s superior.

5. Superiors using MBO can falsely assume there is no need for periodic coaching and counseling of subordinates.

Most MBO programs are conducted on a one-on-one superior subordinate basis. In many instances, one-on-one MBO does not account adequately for the interdependent nature of most jobs, particularly at the managerial and supervisor level, nor does it ensure optional coordination of objectives between various organisational groups. Accordingly, it may be useful to take a team approach to reviewing targets and achievements.

Essentially, team MBO involves the application of the basic MBO process to work groups. First overlapping units work with ‘higher’ and ‘lower’ units on over all organizational objectives, as well as set unit objectives. Then individuals work will their peers and superiors to define roles and to develop individual objectives. This ‘approach can lead to greater participation by subordinates in setting objectives and can improve relationships within teams and between superiors and subordinates. However, the success of a team approach greatly depends on the overall leadership style, climate, and culture of the organization. In particular, there needs to be a high trust level, a participative, supportive leadership style, and strong norms of openness and cooperation.

(ii) Human Asset Accounting Method

The human asset accounting method refers to activity devoted to attaching money estimates to the value of a firm’s internal human organization and its external customer goodwill. If able, well-trained personnel level a firm, the human organization is worthless; if they join it, its human assets are increased.

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If distrust and conflict prevail, the human enterprise is devalued. If teamwork and high morale prevail, the human organization is a very valuable asset.

The current value of a firm’s human organization can be appraised by developed procedures, by undertaking periodic measurements of ‘key causal’ and ‘intervening enterprise’ variables. The key causal variables include the structure of an organization’s management policies, decisions, business leadership, strategies, skills and behaviour. The intervening variables reflect the internal state and health of an organization. They include loyalties, attitudes, motivations, and collective capacity for effective interaction, communication and decision-making. These two types of variable measurements must be made over several years to provide the needed data for the computation of the human asset accounting.

9.7 Choosing the Appraisal Method:

With a wide range of appraisal methods currently available, an organization is faced with a difficult task in selecting the best approach to meet its needs. Before making recommendations, human resources professionals should examine two areas with special care: (1) various factors that can help or hinder the implementation of particular appraisal program, and (2) the appropriateness of the appraisal method for the specific jobs to which their appraisal system will apply.

9.8 Problems of Appraisal:

The ideal approach to performance evaluation is that in which the evaluator is free from personal biases, prejudices, and idiosyncrasies. This is because when an evaluation is objective, if minimizes the potential capricious and dysfunctional behaviour of the evaluator which may be detrimental to the achievement of the organizational goals. However, a single foolproof evaluation method is not available. Inequities in evaluation often destroy the usefulness of the performance system resulting in inaccurate, invalid appraisals, which are unfair too.
There are many significant factors which deter or impede objective evaluation. These factors are.

1. **The Halo Effect**

The ‘halo effect’ is a ‘tendency to let the assessment of an individual one trait influence the evaluation of the person on other specific traits.’ There is this effect in appraisal when the appraiser assigns the same rating to all traits regardless of an employee’s actual performance on these traits. The ‘halo’ effect refers to the tendency to rate an individual consistently high or low or average on the various traits, depending upon whether the rater’s overall impression of the individual is favourable or not. This means that the halo effect allows one characteristic, observation on occurrence (either good or bad) to influence the rating of all performance factors. The halo effect arises when traits are unfamiliar, ill-defined and involve personal relations. This often occurs when an employee tends to be more conscientious and dependable, that the appraiser might become biased towards that individual to the extent that the appraiser rates him high on many desirable attributes; or when the employee is more friendly or unfriendly towards the appraiser. In such cases, a very high rate may be given to a favoured employee, whereas a low rating may be given to an unfriendly employee so that he may be bypassed even though he is a very capable one, when the question of a promotion arises.

Another example, may be of the students who tend to rate a teacher as ‘outstanding’ on all criteria when they are particularly appreciative of a few things he does in the classroom. Similarly a few bad habits like coming late for lectures, being slow in returning papers, or assigning an extremely demanding reading requirement might result in student’s evaluating the lecturer as ‘lousy’ across-the-board.

The ‘halo’ effect problem can be alleviated by: (i) providing a five to ten minutes training programme to the evaluators (ii) restructuring the questions by requiring the evaluator to consider each question independently and (iii) having the evaluator appraise all employees on each dimension before going to the next dimension.
2. **Similarity Error**

This type of error occurs when the evaluator rates other people in the same way he perceives himself. For example, the evaluator who perceives himself as aggressive may evaluate others by looking for aggressiveness. Those who show this characteristic may be benefited while others may suffer. This error also washes out if the same evaluator appraises all the people in the organization.

3. **The Central Tendency Problem**

It is the most commonly found error. It assigns ‘average ratings’ to all the employees with a view to avoiding commitment or involvement; or when the rater is in doubt or has inadequate information or lack of knowledge about the behaviour of the employee, or when he does not have much time at his disposal. Such tendency seriously distorts the evaluations, making them most useless for promotion, salary, or counselling purposes. The ranking tools discussed earlier are aimed at avoiding this problem.

4. **Leniency or Strictness Tendency or Constant Errors**

Every evaluator has his own value system which acts as a standard against which he makes his appraisals. Relative to the true or actual performance an individual exhibits. Some supervisors have a tendency to be liberal in their ratings, i.e. they consistently assign ‘high values’ to their employees, while at other times they may have a tendency to assign consistently ‘low ratings’. The former tendency is known as ‘positive leniency error’ while the latter is ‘negative leniency error’. When an evaluator is positively lenient in his appraisal an individuals performance becomes overstated, i.e., rated higher than it actually should. Similarly, under the negative tendency, performance is understated than what it should be. Both these trends usually arise from varying standards of performance observed by supervisors and from different interpretations of what they evaluate in employee performance. The tendency can be avoided by holding meetings or training sessions for raters so that they may understand what is required of them in rating.

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5. **Miscellaneous Biases**

Bias against employees on ground of sex, race, religion or position is also a common error in rating. For example, a higher rating may be assigned to a senior employee. The rater may also be influenced by organizational influence and give higher ratings to those holding higher positions. Besides these, there may be opportunity bias, group characteristic bias and knowledge of predictor bias. Beach observes: “Actual experience with rating has demonstrated that supervisors will rate their people near the middle of the spectrum (average) if their bosses put pressure on them to correct the sub-par performers (or get rid of them) and if they are called upon to really justify an outstanding rating. In other words, they will follow the path of least resistance, because they know that the ‘Big Boss’ will question them about those rated low or very high.

9.9 **Measures to Ensure Effective Appraisal Programme**

The appraisal programme is likely to be an utter failure if it lacks the support of top management, if supervisors are not adequately trained or have no trust in its value, if the results of performance appraisal are not discussed with the subordinates several steps may be taken to develop the programme effectively:

(i) In devising the appraisal form the cooperation of supervisors should be increased.

(ii) Intensive-training should be provided to all the appraisers with a view to obtaining unbiased, uniform appraisal of their subordinates.

(iii) Needs and objectives of appraisal should be properly defined. To serve this purpose opinion of line management should be obtained.

(iv) The personnel department has to examine the plans of other organizations as well as the relevant literature in the field to formulate the most suitable plan for the appraisal programme.
(v) The personnel or industrial relations manager tends to explain the purpose and nature of the programme to all the superiors and subordinates to be involved and affected by it.

(vi) Attempts may be made to recommend for salary increases or promotion.

(vii) Care may be taken to accrue line and staff coordination and mutual check of appraisals with a view to achieving intra-and interdepartmental consistency and uniformity.

Review Exercises:

1. Define performance Appraisal. Explain the significance of performance appraisal.

2. Explain the different steps involved in the process of performance appraisal.

3. Critically evaluate the different methods of performance appraisal.

4. Who can evaluate employees performance?

5. Write notes on:
   (a) Problems of performance appraisal
   (b) Measures to ensure effective performance appraisal

References:


LESSON : 10

10.1 Introduction

In modern day competitive, knowledge based business organizations; human resource management is of pivotal importance. Success management is of pivotal importance. Success of any organization depends to a significant extent, on the morale and motivation of its employees, especially those working at top and middle levels of management. An important factor affecting the motivation and morale level of employees is the compensation awarded to them. Compensation given should be equated to the value of a job to avoid less compensation that may cause employee dissatisfaction. In order to find the worth of a job, job evaluation is applied.

10.2 Meaning

Job evaluation is an orderly and systematic process of determining the worth of a job in relation to other jobs. It is a process of rewarding the job after it has been analyzed. Each job should be paid according to its real value i.e., a high value job should receive higher compensation and low value job should receive lower compensation. Job evaluation depends upon the characteristics and requirements of a job provided by the job analysis. Thus, job evaluation make use of the information in job analysis to evaluate each job – valuing its components and ascertaining relative job worth.

Definitions

1. “Job evaluation is a process of determining the relative worth of the various jobs within the organization, so that differential wages may be paid to jobs of different worth”. - Wendell French.

2. “Job evaluation represents an effort to determine the relative value of every job in a plant to determine what the fair basic wage for such a job should be.” - Kimball and Kimball.

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3. “Job evaluation is the process of analysis and assessment of job to ascertain reliably their relative importance using the assessment as a basis for balanced wage structure”. The British Institute of Management.

The International Labour Organization defines job evaluation as “an attempt to determine and compare demands which the normal performance of a particular job makes on normal workers without taking into account the individual abilities or performance of the workers concerned”.

The bureau of Labour Statistics, USA, says that “Job evaluation is the evaluation or rating of jobs to determine their position in the job hierarchy. The evaluation may be achieved through the assignment of points or the use of some other systematic method for essential job requirements, such as skills, experience and responsibility”.

In short, job evaluation concerns with pricing a job in relation to other jobs on the basis of arbitrary, variable judgements dictated by short term expediency or arrived at through rule of thumb methods. In other words, job evaluation is a process of analyzing and assessing the various jobs systematically in order to ascertain their relative worth in an organization. Jobs are mostly evaluated on the basis of their content and are placed in order of their importance.

In this way, it establishes a job hierarchy in the organization; the purpose being fixation of satisfactory wage differentials among various jobs. It shall be noted that in a job evaluation, the jobs are ranked and not the job holders. Job holders are rated through performance appraisal.

10.3 Objectives of Job Evaluation

I. The main objective of job evaluation is to find out the value of work, but this is a value which varies from time to time and from place to place under the influence of certain economic pressures, not least of which is the worth of money itself. Nevertheless, the value of work at a specific time and place is absolute, governed by supply and demand, and related to the value of all other work. The aim of job evaluation is
not to create a rate, but to discover what that rate is at that time and in that place.

II. Another objective of job-evaluation is to have external and internal consistency in wage structure. The aim is to provide equal pay for jobs of equal value. The salary should be proportional to the job difficulty and the responsibility associated with it.

III. The systematic evaluation of jobs and fixation of wages on that basis helps in solving wage controversies. It removes subjectiveness and simplifies union management negotiations on wages.

IV. Wages are always under pressure of one kind or another and some job wages are influenced more than others by such pressures resulting in anomalies in rates of pay. It is the function of job evaluation to reveal these anomalies, rather than create them.

V. It aims at conducting wage surveys and comparing wage systems of different organizations/firms. Its aim is to fix minimum and maximum wages throughout the organization for each position.

VI. It is helpful and it provides a basis for recruitment, selection, training, promotion and transfer of an employee. It has been considered as a good instrument to ‘promote good relationship between employer and employee.

VII. The technique of job evaluation can also be used to determine not only what the job is worth out also the value of each of the aspects such as the skill and responsibility levels. Such information could be useful for devising measures for improving labour productivity.

10.4 Important Considerations in Developing a Job Evaluation Programme.

Important considerations before starting a job – evaluation programme are given below:
1. In the job-evaluation plan, all persons who are going to be affected should participate. This will be possibly only if job-evaluation plan is successfully communicated to the employees.

2. The next important decision is that jobs must be thoroughly examined and clear cut job descriptions and job specifications must be available for selecting factors to be evaluated for job evaluation purpose.

3. Next decision should be taken about the jobs and persons to be covered e.g., hourly paid jobs or salaried jobs.

4. One job should be compared with others and put a list in order of its worth.

5. Supervisors should feel convinced about the job evaluation programme. Proper training about job evaluation methods should be given to the supervisors.

6. There is no sense in believing that job evaluation will not be challenged by the union. The management should accept its deficiencies with open mind.

7. If job content changes, the supervisor should notify the job analyst so that necessary changes are made in rating. It must be kept up to date.

8. The job evaluation programme must be sold through a process of education to all employees. Any internal as external inconsistency in wage structure should be removed after completing the job evaluation.

**Assumptions in Job Evaluation**

Job evaluation is based on the following assumptions:

1. Every job has some intrinsic worth in terms of certain characteristics that are required for satisfactory work performance. The commonly used characteristics are skills, mental effort, physical effort, and working conditions.
2. A pay structure based on relative worth of different jobs facilitates the achievement of organisational goals.

3. Compensation/wages based on relative worth of job ensures equitable wages i.e. employees doing similar jobs get the same pay. It creates a feeling of fair dealing among employees.

4. Job evaluation assumes that if factors required for evaluation are chosen and valued correctly in relation to each other and if work is properly assessed and evaluated in term of these factors, then the job value so determined should be proportionate to the current wage rates.

5. Job evaluation determines the differences among job on the basis of certain criteria. The job evaluations of the work are not affected by economic pressures that affect the wages.

**When to make job Evaluation**

The need for job evaluation arises in organization when there is:

1. Disillusion with the existing remuneration patterns;

2. Realization that prevalent salary structure will soon lose validity as situational rationality in the context of emerging organizational developments as near future conditions of growth as shrinkage.

3. Pay of jobs of similar duties and responsibilities various violently.

4. Technology - change bring about variation in job nature and difficulty levels.

5. The earlier job relationships as pay relativities have been upset by sectional bargaining powers of trade unions and ad hoc management reaction to production problems, market pressures or other expedient realities, making pay of one group out of tune with that of other groups.

6. Too many different rates lead to inflexibility in the use of labour, and high administrative costs or too few grades lead to a feeling of unfairness due to absence of differentials.

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7. Organizations face difficulty in attracting potential recruits or retaining the existing ones because of a feeling that the remuneration system is too complex; inadequate or unfair leading often to management employee bickering about pay. In short, the need for job evaluation arises because of technology change, plant and organizational growth.

10.5 Principles of Job Evaluation

The following principles should be kept in mind before putting the job evaluation programme into practice.

1. Rating of the job should be done rather than the rating of man doing the job. Each element should be rated on the basis of what the job itself requires.

2. The elements selected for rating purposes should be easily explainable in terms and as few in number as well cover the necessary requisites for every job without any overlapping. Each factors should be precisely defined and properly selected.

3. The job-evaluation plan must be acceptable to employees. Any job rating plan must be sold to foremen and employees by explaining it advantages and objectives.

4. The value or weightage given to the factors should not be disclosed to the foreman or supervisor while discussing with them job evaluation plan.

5. Maximum co-operation can be obtained from employees when they themselves have an opportunity to discuss job ratings.

6. Foremen should participate in the rating of jobs in their own department.

7. There should be limited number of occupational wages i.e., there should be few categories of job and they should be arranged in terms of their value to the firm.

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10.6 **Advantages of Job Evaluation**

(i) Job-evaluation is a logical and, to some extent, an objective method of ranking jobs relative to one another. It may help in removing inequalities in existing wage structures and in maintaining sound and consistent wage differentials in a plant or industry.

(ii) Job-evaluation is the basis for rational wage and salary administration. Wage and salary structure is designed on the basis of weights allotted to different factors in job-evaluation. Internal as well as external consistencies.

(iii) In a proper and rational job-evaluation system the position of job is fixed. Every worker knows the job description and job specifications of each job. He tries to develop his personality so as to occupy the higher position.

(iv) The information collected in the process of job-description and analysis may also be used for the improvement of selection, transfer and promotion procedures on the basis of comparative job requirements.

(v) Job evaluation is made after proper scrutiny of the various factors determined by the job analysis and presented by the job-description and job-specification. Thus, job values established only after taking various job-factors into consideration.

(vi) Job-evaluation maintains harmonious employer-employee relationship. It tends to eliminate inequalities in wage structure within the organization and the industry and also eliminating personal prejudices. Thus it promotes harmonious industrial relations in the organization because wage inequality is the biggest single factor for labour disputes.

(vii) In the case of new jobs, job-evaluation often facilitates fitting them into the existing wage structure.

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10.7 Limitations of Job-evaluation

Problems/limitations in installing job evaluation system are given below:

1. Job-evaluation is a systematic, rather than a scientific process of establishing wages and salaries. It possesses a high degree of reliability but its validity must be determined by ascertaining the impact upon employee satisfaction. One way to do this would be by collecting and analyzing data with respect to employee complaints and grievances concerning pay. There is no basis for contending that job evaluation and wage/salary surveys are scientific and provide incontestable answers.

2. There is conflict between worker and management values in job valuation. Management generally considers, in rating a job, the general factors of skill, responsibility, effort, and working conditions. To these, workers would add the values of (1) the type of supervision received (2) the steadiness of the work (3) the congeniality of other workers (4) the amount of overtime, (5) the tightness of incentive standards.

3. Another difficulty arising from the installation of job evaluation is that it will usually promote an immediate increase in the number of grievances concerning wages. Job evaluation gives the wage structure a sharp definition that it did not have before and, in effect, turns a spotlight on wages. When this new clarity of structure is combined with the system’s admitted lack of infallibility, it is obvious that grievances will be filled. The same grievance may be present prior to job-evaluation. However, the sharp definition provided by job evaluation merely provides a basis on which grievance can be filed.

4. Job-evaluation creates doubts and fear in the minds of those whose jobs are being evaluated first time. It may also disrupt the existing social and psychological relationships.

5. Job factors fluctuate because of changes in production technology information systems, and division of labour and such other factors.
Therefore, the evaluation of a job today is made on the basis of job factors, and does not reflect the time job value in future. In other words continuing attention and frequent evaluation of a job.

6. When job evaluation results in substantial changes in the existing wage structure, the possibility of implementing these changes in the relatively short period may be restricted by the financial limits within which the firm has to operate.

7. Job-evaluation takes a long time to install, requires specialized technical personnel, and may be closely.

8. Job-evaluation is inaccurate or incomplete, if the information recorded in the job description is inaccurate or incomplete. For example, a job description may present an inflated picture of the actual job or, conversely may not do justice to some of the important activities performed. In addition, if employees or supervisors do not believe that job descriptions reflect accurately the jobs actually performed, they will perceive the job evaluation procedures and the resulting wage and salary structure as unfair. Careful and systematic job-data collection “that attempts to secure agreement among employees and supervisors about the accuracy of descriptions can minimize these problems.

10.8 Methods of Job-evaluation

There are four basic, traditional systems of job evaluation. The first two systems; the ranking system and the job classification system, are known as the non-analytical or non-quantitative or summary systems, because they utilize non-quantitative methods of listing jobs in order of difficulty and are, therefore, simple. The last two methods are the point system and the factor comparison system. These are known as the analytical or quantitative systems, because they are quantitative techniques in listing the jobs. They are more complex and are time consuming. Methods may divided into two broad heads and they are:
Methods of Job-Evaluation

Non-Quantitative Methods

Ranking

Grading

(Ranking of job to job or comparison method)

Quantitative Methods

Factor

Point

Comparison

Method

Grading Method

I. Ranking Method

In this method, the raters simply rank the various jobs examined. No attempt is made to determine the critical factors in each job. Instead, an overall judgement is made of the relative work of each job, and the job is ranked accordingly. Because of the difficulties in ranking a large number jobs at one time, the paired comparison technique of ranking, decisions are made about the relative worth of only two jobs at a time. Since each job is compared with every job, however, the number of comparisons to be made increases rapidly with the addition of each job to the list.

Advantages

1. The organization does not experience any difficulty in installing this method. This method is very simple and easily understood, and easy to explain to the employees.

2. This method does not involve much expenses. It requires efforts for maintenance.

3. This method is suitable organization involving lesser number of jobs to be evaluated.

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4. It requires less time, fewer forms and less work, unless it is carried to a detailed point used by company.

**Disadvantages**

1. In this method, there are usually no agreed upon guidelines as to what elements or factors the organization considers valuable.

2. There are no ‘yardsticks’ for measuring the job value, and the underlying assumptions of those doing the ranking may never be brought into the open.

3. In this, the ranking will be done in very subjective fashion and will be based on impressions rather than objective information.

4. It is a least used method it is not useful for large organizations.

5. Importance of the job may arbitrarily be ranked which may result in differences in similar jobs and may be resented by the employees.

**II Job Classification Method**

In this system, a number of pre determined grades or classifications are first established by a committee and then the various jobs are assigned within each grade or class. Grade descriptions are the result of the basic job information which is usually derived from a job analysis. After formulating and studying job-descriptions and job specifications, jobs are grouped into classes or grades, which represent different pay levels ranking from low to high. Common tasks, responsibilities, knowledge and experience can be identified by the process of job analysis. Certain jobs may then be grouped together into a common grade or classification. General grade descriptions are written for each job classification, and finally these are used as a standard for assigning all the other job to a particular pay scale. The following steps are involved in this method:

(i) Preparation of job description, which gives us basic job information, usually derived from a job analysis.
(ii) The preparation of grade descriptions, so that different levels or grades of jobs may be identified. Each grade level must be distinct from the grade level adjacent to it; at the same time, it should represent a typical step in a continuous way and not a big jump or gap.

(iii) Selection of grades and key jobs, about 10 to 20 jobs are selected, which included all the major departments and functions and cover all the grades.

(iv) Grading the key jobs. Key jobs are assigned to an appropriate grade level and their relationship to each other studied.

(v) Classification of all jobs. Jobs are classified by grade definitions. All the jobs in the same grade receive the same wage or range of rates.

**Advantages**

1. This method is simple to operate and understand. It requires less time.
2. The grouping of jobs into classification makes pay determination problems administratively easier to handle. Pay grades are determined for, and assigned to, all the job classification.
3. In organization where number of jobs is small, this method yields satisfactory results.
4. The evaluation is more accurate of the job descriptions since the analysis is based on job descriptions.

**Disadvantages**

1. This system is rather rigid and unsuitable for a large organization or for very varied work.
2. This method requires multiple systems for different types of jobs. For example, there will be too much difference between an office and factory job description.
3. It is difficult to know how much of a job’s rank is influenced by the man on the job.

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4. Since no detailed analysis of a job is done, the judgement in respect
   of a whole range of jobs may produce an incorrect classification.

5. It is difficult to write a grade descriptions. The system becomes difficult
   to operate as the number of job increases.

III Point Method

   This is the most widely used method of job-evaluation. Under this method,
   a job manual is used which lays down the factors upon which each job should
   be rated. It provides scales and yardsticks by which each degree of each factor
   is to be valued. In other words, jobs are divided into a number of factors which
   in turn are further sub-divided into grades or degrees. Each degree is awarded
   certain points and when such points for all the degrees are totaled they indicate
   the importance of the job in the organization; consequently a suitable wage rate
   proportional to the total points is determined.

   Further, this method describes several job elements and prescribes the
   weightings to be applied to each such element. It includes scale for each element
   by means of which varying degrees are to be appraised. These degrees determine
   the number of points to be credited to the job. The total of such points establishes
   for point value of the job.

   There are four major factors common to all point method of rating.

1. Skill
   Education and training
   Experience
   Judgement and Initiative

2. Effort
   Physical
   Mental

3. Responsibilities towards material, equipment, machinery tools and follow
   workers.

4. Working conditions
   Exposure to hazards
   Dust, smoke, fumes and noise
   High temperature
   Glare and harmful radiation etc.

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Advantages

1. It is most suitable for large enterprises
2. It is an objective method and wage differentials are numerically explained.
3. This method is more effective because even the major factors are sub-divided which ensures accuracy of evaluation.
4. A job can be easily evaluated in terms of money as money values are assigned to total points.
5. There is no bias or prejudice in job evaluation.
6. There is no resistance from employees and their unions as method is free from manipulations.

Disadvantages

1. It is very expensive and can be installed only by giant concerns.
2. In this method, the pre-determined point value is arbitrary therefore, there is a possibility that the sale may be incorrectly established at the initial stage of the installation of the programme. If this happens all of these succeeding work will reflect these errors - are some of the jobs may be over or under valued.
3. Selection of factors is a difficult task. It is very difficult to develop point for sub-factors.
4. Point values result in developing a ceiling and floor for each job. The award of point values results in developing a ceiling and floor for each job.
5. It involves considerable clerical work and is time consuming. It is not suitable to small scale organization.

IV Factor Comparison Method

This method was developed in 1926 by E.J. Benge. This method is different from Point Method only in respect of yardstick provided for evaluating jobs.
It is a combination of ranking and point system. Under this system, all jobs are compared to each other to determine their relative importance by selection of five major factors, viz. (a) mental requirements (b) physical requirements (c) skill (d) responsibilities and (e) working conditions. Some key jobs are selected as standard jobs to compare the other jobs. The steps in evaluating the job under this method are as follows:

I. Various factors are selected and defined clearly.

II. Select a few key jobs in the organizations and record their wages. Key jobs are those representative jobs which are assumed to be correctly paid.

III. Wages are fixed for different factors of each key job.

IV. A comparison scale is developed. Each key job should be fitted to it, when all the key jobs have been evaluated and wages allocated in the manner, a job comparison scale is constructed.

V. Jobs are evaluated factor by factor, in relation to key jobs, on job comparison scale. Then each job is to be evaluated and compared to other jobs in terms of each other.

VI. Finally, a wage structure is designed, adjusted and operated.

Advantages

1. It gives a numerical basis for wage differentials; by analyzing a job by factors it is usually possible to obtain a high measure of agreement on job value.

2. It is very flexible in nature. As it has no upper limit on a rating a job may receive on a factor.

3. Once the scales are developed, they can be used for a long time. Jobs can be placed in distinct categories.

4. Definitions are written in terms applicable to the type of jobs being evaluated, and these can be understood by all.
5. It utilizes few factors and thereby reduces the likelihood of overlapping.

6. The workers’ acceptance of the system is favourable because it is more systematic and objective than other job evaluation methods.

7. It has the ability of handling a larger number of jobs and enjoys stability as long as the factors remain relevant.

8. The system results in more accurate job evaluation because in this the weights are not selected arbitrarily.

**Disadvantages**

(i) It is costly to install and somewhat difficult for anyone who is not acquainted with the general nature of job evaluation technique to grasp.

(ii) The task of defining job factors and factor degrees is a time consuming and difficult task.

(iii) The use of the key jobs may initially build errors into the plan. The contents and the value of these jobs may change over a period of time and this will lead to future errors.

(iv) If many rates are used, considerable clerical work is entailed in recording and summarizing the rating scales.

(v) Job-evaluation is made by experts and management is to rely upon them. Therefore, the programme cannot be developed by the management independently, without the help of specialists.

(vi) It is difficult to determine the factor levels within factors and assign values to them. It is difficult to fully comprehend the meaning of concepts and terms, such as factors, degrees and points.

(vii) It is very difficult to allot due weightage to each factor.
Review Exercise:

1. Define Job-evaluation. What are its advantages and limitations?
2. What are the objectives of Job-evaluation?
3. Critically review the different methods of job evaluation.
4. Write notes on the following:
   a) Principles of job evaluation.
   b) Assumption in job evaluation.
5. Explain the Pre-requisite and objects of job evaluation.

References:

Meaning of Wages

‘Wages’ are the payments made to the employees as compensation for the services rendered by them to the organization. In other words, the share of the total cost of production, which can be attributed to labour, may be known as wages from employee’s point of view. According to Dale Yoder and Heneman, “Wages are the compensation of wage earner, the numerous employers who use the tools and equipments of their employers to produce goods and services that are sold by their employers”. Wages include salaries also.

Difference between Wage and Salary

Wage is a compensation to the employees for services rendered to the organization. In case the quantum of services rendered is difficult to measure, then the payment is called salary. Normally the wage period is shorter than the salary period.

Payment made to labour is generally referred as wages. Money paid periodically to persons whose output cannot be easily measured, such as clerical staff as well as supervisory staff, is generally referred to as salaries. Salaries are paid uniformly generally on monthly basis and at times the element of incentive is introduced in the form of commission. Incentives are paid to salaries persons in addition to their salaries. However, it is in the area of labour that there are several types of methods of wage payment.

Terminology and Concepts

What is wage and salary administration? Wage salary administration is essentially the application of a systematic approach to the problem of ensuring that employees are paid in a logical, equitable and fair manner.

Wage and salary are often discussed in loose sense, as they are used
interchangeably. But ILO defined the term wage as “the remuneration paid by the employer for the services of hourly, daily, weekly and fortnightly employees”. It also means that remuneration paid to production and maintenance or blue-collar employees.

**Salary:** The term salary is defined as the remuneration paid to the clerical and managerial personnel employed on monthly or annual basis.

This distinction between wage and salary does not seem to be valid in these days of human resources approach where all employees are treated as human resources and are viewed at par. Hence, these two terms can be used interchangeably. As such, the term wage and/or salary can be defined as the direct remuneration paid to an employee compensating his services to an organization. Salary is also known as basic pay.

**Earnings:** Earnings are the total amount of remuneration received by an employee during a given period. These include salary (pay), dearness allowance, house rent allowance, city compensatory allowance, other allowances, overtime payments, etc.

**Nominal Wage:** It is the wage paid or received in monetary terms. It is also known as money wage.

**Real Wage:** Real wage is the amount of wage arrived after discounting nominal wage by the living cost. It represents the purchasing ‘power of money wage.

**Take Home Salary:** It is the amount of salary left to the employee after making authorized deductions like contribution to the provident fund, life insurance premium, income tax, and other charges.

**Minimum Wage:** It is the amount of remuneration, which could meet the “normal needs of the average employee regarded as a human being living in a civilized society”. It is defined as the amount or remuneration, “which may be sufficient to enable a worker to live in reasonable comfort, having regard to all obligations to which an average worker would ordinarily be subjected to”.

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**Statutory Minimum Wage:** It is the amount of remuneration fixed according to the provisions of the Minimum Wages Act, 1948.

**The Need-based Minimum Wage:** It is the amount of remuneration fixed on the basis of norms accepted at the 15th session of the Indian Labour Conference held at New Delhi in July, 1957.

The Conference recommend that minimum wages should ensure the minimum human needs of industrial workers. The norms laid down by it are: (i) in calculating the minimum wage, the standard working class family should be taken to comprise three consumption units for one earner, the earnings of women, children and adolescents beings disregarded; (ii) minimum food requirements should be calculated on the basis of a set in take of calories as recommended by Dr. Aykroyd for an average Indian adult of moderate activity; (iii) clothing requirements should be estimated on the basis of per capita consumption of 18 yards per annum which would give for the average worker’s family of four a total of 72 yards; (iv) in respect of housing, the rent corresponding to the minimum area provided for under Government Industrial Housing Scheme should be taken into consideration in fixing the minimum wage; (v) fuel, lighting and other miscellaneous items of expenditure should constitute 20 per cent of total minimum wage.

**The Living Wage:** According to the committee on fair wages, the living wage is the highest amount of remuneration and naturally it would include the amenities which a citizen living in a modern civilized society is entitled to expect, when the economy of the country is sufficiently advanced and the employer is able to meet the expanding aspirations of his workers.

**The Fair Wages:** Fair wages are equal to that received by workers performing work of equal skill, difficulty or unpleasantness.

**Incentive Wage:** This is the amount of remuneration paid to a worker over and above the normal wage as an incentive for employee’s contribution to the increased production or saving in time or material.
**Wage Rate:** It is the amount of remuneration for a unit of time excluding incentives, overtime pay, etc.

**Standard Wage Rate:** It is the amount of wage fixed for a unit of time, fixed on the basis of job evaluation standards.

Need for Sound Salary Administration

Management has to formulate and administer the salary policies on sound lines as (i) most of the employees’ satisfaction and work performance are based on pay; (ii) internal inequalities in pay are more serious to certain employees; (iii) employees compare their pay with that of others; (iv) employees act only to gross external inequities; (v) employee comparisons of pay are uninfluenced by levels of aspirations and pay history; and (vi) employees compare the pay of different employees with their skill, knowledge, performance, etc.

Objective of Wage and Salary Administration

The objectives of wage and salary administration are numerous and sometimes conflict with each other. The important among them are:

**1) To Acquire Qualified Competent Personnel:** Candidates decide upon their career in a particular organization mostly on the basis of the amount of remuneration the organization offers. Qualified and competent people join the best-paid organizations. As such, the organizations should aim at payment of salaries at that level, where they can attract competent and qualified people.

**2) To Retain the Present Employees:** If the salary level does not compare favourably with that of other similar organizations, employees quit the present one and join other organizations. The organization must keep the wage levels at the competitive level, in order to prevent such quits.

**3) To Secure Internal and External Equity:** Internal equity does mean payment of similar wages for similar jobs within the organization. External equity implies payment of similar wages to similar jobs in comparable organizations.
(4) **To Ensure Desired Behaviour:** Good rewards reinforce desired behaviour like performance, loyalty, accepting new responsibilities and changes, etc.

(5) **To Keep Labour and Administrative Costs** in line with the ability of the organization to pay.

(6) **To Protect in Public as Progressive Employers** and to comply with the wage legislations.

(7) **To Pay According to the Content** and difficulty of the job and in tune with the effort and merit of the employees.

(8) **To Facilitate Pay Roll** administration of budgeting and wage and salary control.

(9) **To Simplify Collective Bargaining** procedures and negotiations.

(10) **To Promote Organization** feasibility

**Principles of Wage and Salary Administration**

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

(i) Wage and salary plans and policies should be sufficiently flexible.

(ii) Job evaluation must be done scientifically.

(iii) Wage and salary administration plans must always be consistent with overall organizational plans and programmes.

(iv) Wage and salary administration plans and programmes should be conformity with the social and economic objectives of the country like attainment of equality in income distribution and controlling inflationary trends.

(v) Wage and salary administration plans and programmes should be responsive to the changing local and national conditions.

(vi) These plans should simplify and expedite other administrative processes.
Factors Affecting Wage Rates

There are several factors, which influence the wage rates. The variations in wage structure in various industries are the results of these factors. Some important factors are:

1. **Demand and Supply**: The wage rates are fixed by the demand and supply position of the workers in the labour market. If labour is in short supply, the workers will offer their services only if they are paid well. On the other hand, labour may be available at cheaper rates if their supply is in plenty.

2. **Bargaining Power**: Wages also depend to a considerable extent on the relative bargaining power of the labour unions and the employers. Where labour unions are strong enough to force the hand of employers, the wages will be determined at a higher level in comparison to other units where unions are weak.

3. **Cost of Living**: Progressive employers do not leave the wages to be determined by the blind forces of demand and supply. They take due notice of the cost of living for the workers at that place and try to fix the wages as to ensure a decent living wage to the workers. Cost of living varies under inflationary and deflationary pressures. Where employers do not show enough awareness, labour unions, if strong, come out with a demand of wage adjustment according to the cost of living index number.

4. **Condition of Product Market**: The wage levels will be influenced by the degree of competitions prevailing in the market for the product of the industry. If it is a perfect competitive market the wage level may be at part with the value of the net additions made by the workers to the total output. But in any given industry or occupation, wages may not reach this level if imperfect competition exists in the product market.

5. **Comparative Wages**: Wages paid by other firms in the same market for similar work also influence the wage levels. Wage rates must also be in consistent with the wages paid by other firms in the same industry. The comparative wages will increase the job satisfaction among the workers.
6. **Ability to Pay:** Wage rates are influenced by the ability of industry or firm to pay its workers. Those firms, which are earning huge profits, may naturally afford much better wage rates and more facilities to its workers in comparison to those firms, which are earning only marginal profits.

7. **Productivity of Labour:** Productivity is considered to be the main basis of wage-determination. In firms, where productivity of labour is high, higher wages are paid as compared to other firms where it is low.

8. **Job Requirements:** A worker is compensated according to the job requirements. If a job requires higher skill, greater responsibility and risk, the worker placed on that job will naturally get higher wages in comparison to other jobs which do not require the same degree of skill, responsibility or risk.

9. **Government Policy:** Since the bargaining power of the workers is not enough to ensure fair wages in all industries, the Government has to interfere in regulating wage rates to guarantee minimum wage rates in order to cover the essentials of a decent living.

10. **Goodwill of the Company:** A few employers want to establish themselves as good employer in the society and fix higher wages for their workers. It attracts qualified employees.

**The Mechanism of Wage and Salary Administration**

Salary is structured, fixed, adjusted on the basis of several systems. The important among them are: (1) Wage Theories, (2) Job Evaluation, (3) Wage/Salary Survey, (4) Various Factors Affecting Wage and Salary Levels.

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Wage Theories

There are number of theories on wages. Important among them are discussed hereunder:

(i) **The Just Wage Theory:** This was the first theory on wages advocated during medieval period. The essence of this theory is that the worker should be paid on the level of maintaining himself and his family.

(ii) **Subsistence Theory:** According to Ricardo “the labourers are paid to enable them to subsist and perpetuate the race without increase or diminution”.

(iii) **Standard of Living Theory:** Karl Marx pointed out that the “Wage of labour is determined by a traditional standard of living, which, in turn, is determined by the mode of production of the country concerned”.

(iv) **The Wage Fund Theory:** According to J.S. Mill, the wages are determined on the basis of the relationship between the amount of fund allocated for the purpose of wage payment and number of workers in a country.

\[
\text{Wage} = \frac{\text{Amount of fund allocated for wage payment}}{\text{Number of workers}}
\]

(v) **Residual Claimant Theory:** According to Walker, the wages are determined on the basis of the amount left after the payment of rent, profits and interest to land, entrepreneur and capital respectively out of the production value.

The amount of wages = Production value – (Rent+Profits+Interest).

(vi) **Marginal Productivity Theory:** According to J.B. Clark, the wages are determined on the basis of marginal contributions of the worker to the production. The employer stops employing further workers where the contributions of the most recently employed worker are equal to his wages.

(vii) **The Bargaining Theory of Wages:** According to this theory the wages and other terms of employment are determined on the basis of the
relative bargaining strength of the two parties, viz., the employer and the employees. Webbs stated that, “the haggling of the market which under a system of free competition and individual bargaining determines the conditions of employment....”

(viii) **Contribution of Behavioural Scientists to the Wage Theories:** According to behavioural scientists, wages are determined on the basis of several factors like the size, nature, prestige of the organization, strength of the union, social norms, traditions, customs, prestige of certain jobs in terms of authority, responsibility and status, level of job satisfaction, morale, desired lines of employee behaviour and level of performance.

Thus, the first five wage theories influenced the wage determination until 19th century. But the influence of these theories had been reduced to a greater extent during the 20th century. The bargaining theory of wages and the behaviour theory of wages influence much the determination during the present century. The modern and important system of salary administration is job evaluation.

**Problems Arising in Wage and Salary Administration**

Pressure is constantly exerted on the wage and salary committee for pay increases by executives, supervisors and employees. If the committee yields to such pressure, it would serve to boost the wage expenditure of the company above the funds available for the payroll. It may also result in glaring injustice because the rewards that belong properly to the efficient workers would be granted instead to those who could press the hardest. The aggressive’ department head may possess in an unusual degree the commendable loyalty to his people that prompts him to take a belligerent stand with reference to salary increases. Because of human element, wage and salary committee or administrator yields more often to the department head who is aggressive. Such pressure may be restrained to some extent where a departmental budget system is used.
LESSON : 12

FRINGE BENEFITS

“Fringe” benefits are those monetary and non-monetary benefits that are given to the employees during and post-employment period, and are connected with employment but not with the employee’s contribution to the organization. As indicated earlier, “fringe” (i.e., minor or short) is misnomer nowadays. In the past, employee benefits and services were an exception in some organizations, and they were small in number and volume. However, now they make up such a large part of the total compensation package that the term “fringe” is no longer appropriate. However, the term “supplementary benefits” is still commonly used to refer to this aspect of employee compensation. Thus, it may be noted that “fringe” as the term is commonly used for them.

In fact, benefits have become something other than the once thought of “fringe”. Employees expect certain extras to be the ‘norm’ rather than the ‘exception’. Careful of these requirements and the competition from other employers, management has to develop cost-effective methods to offer these benefits.

The term ‘fringe benefit” covers bonus, social security measures, retirement benefits like provident fund, gratuity, pension, workmen’s compensation, housing, medical, canteen, cooperative credit, consumer stores, educational facilities, recreational facilities financial advice and so on. Thus, fringe benefits cover a number of employee services and facilities provided by an employer to his employees and in some cases to their family members also. Welfare of employee and his family members is an effective advertising and also a method of buying the gratitude and loyalty of employees. But, while some employers provide these services over and above the legal requirements to make effective use of their work force, some restrict themselves to those benefits which are legally required.
Need for Extending Fringe Benefits

During the World War II certain non-monetary benefits were extended to employees as means of neutralizing the effect of inflationary conditions. These benefits, which include housing, health, education, recreation, credit, canteen, etc., have been increased from time to time as a result of the demands and pressures from trade unions. It has been recognized that these benefits help employees in meeting some of their life’s contingencies and to meet the social obligation of employers.

Most of the organizations have been extending the fringe benefits to their employees, year after year, for the following reasons:

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

(2) Trade Union Demands – Trade Unions compete with each other for getting more and a new variety of fringe benefits to their members such as life insurance, beauty clinics. If one union succeeds in getting one benefit, the other union persuades management to provide a new model fringe. Thus, the competition among trade unions within an organization results in more and varied benefits.

(3) Employer’s Preference – Employer’s prefer fringe benefits to pay-hike, as fringe benefits motivate the employees for better contribution to the organization. It improves morale and works as an effective advertisement.

(4) As a Social Security – Social security ‘is a security that society furnishes through appropriate organization against certain risks to which its members are exposed. These risks are contingencies of life like accidents and occupational diseases. Employer has to provide various benefits like safety measures, compensation in case of involvement of workers in accidents, medical facilities, etc., with a view to provide security to his employees against various contingencies.
(5) **To Improve Human Relations** – Human relations are maintained when the employees are satisfied economically, socially, and psychologically. Fringe benefits satisfy the worker’s economic, social, and psychological needs. Consumer stores, Credit facilities, Canteen, Recreational facilities, etc., satisfy the worker’s social needs, whereas retirement benefits satisfy some of the psychological problems about the post-retirement life. However, most of the benefits minimize economic problems of the employee. Thus, fringe benefits improve human relations.

**Objectives of Fringe Benefits**

The important objectives of fringe benefits are:

1. To create and improve sound industrial relations.
2. To boost up employee morale.
3. To motivate the employees by identifying and satisfying their unsatisfied needs.
4. To provide qualitative work environment and work life.
5. To provide security to the employees against social risks like old age benefits and maternity benefits.
6. To protect the health of the employees and to provide safety to the employees against accidents.
7. To promote employee’s welfare by providing welfare measures like recreation facilities.
8. To create a sense of belongingness among employees and to retain them. Hence, fringe benefits are called golden handcuffs.
9. To meet requirements of various legislations relating to fringe benefits.

**Types of Fringe Benefits**

Organizations provide a variety of fringe benefits. Dale Yoder and Paul D. Standohar classified the fringe benefits under four heads as given hereunder.

(1) **For Employment Security** – Benefits under this head include
unemployment insurance, technological adjustment pay, leave travel pay, overtime pay, level for negotiation, leave for maternity, leave for grievances, holidays, cost of living bonus, call-back pay, lay-off pay, retiring rooms, jobs of the sons/daughters of the employees and the like.

(2) For Health Protection – Benefits under this head include accident insurance, liability insurance, health insurance, hospitalization, life insurance, medical care, sick benefits, sick leave, etc.

(3) For Old Age and Retirement – Benefits under this category include: deferred income plans, pension, gratuity, provident fund, old age assistance, old age counselling, medical benefits for retired employees, traveling concession to retired employees, jobs to sons/daughters of the deceased employee and the like.

(4) For Personnel Identification, Participation and Stimulation – This category covers the following benefits: anniversary awards, attendance bonus, canteen, cooperative credit societies, educational facilities, beauty parlour services, housing, income tax aid, counselling, quality bonus, recreational programmes, stress counselling, safety measures, etc.

Fringe Benefits Adopted in India

(i) Payment for Time Not Worked

This category includes: (a) Hours of work; (b) Paid holidays; (c) Shift premium; (d) Holiday pay; and (e) Paid vacation.

(a) Hours of Work – Section 51 of the Factories Act, 1948 specifies that no adult worker shall be required to work in a factory for more than 48 hours in any week. Section 54 of the Act restricts the working hours to 9 in any day. In some organizations, the number of working hours is less than the legal requirements.

(b) Paid Holidays – According to the Factories Act, 1948, an adult worker shall have a weekly paid holiday, preferably Sunday. When a worker is
deprived of weekly holidays, he is eligible for compensatory holidays of the same number in the same month. Some organizations allow the workers to have two days as paid holidays in a week.

(c) **Shift Premium** – Companies operating second and third shifts, pay a premium to the workers who are required to work during the odd hours shift.

(d) **Holiday Pay** – Generally organizations offer double the normal rate of the salary to those workers, who work on paid holidays.

(e) **Paid Vacation** – Workers in manufacturing, mining and plantations who worked for 240 days during a calendar year are eligible for paid vacation at the rate of one day for every 20 days worked in case of adult workers and at the rate of one day for every 15 days worked in case of child workers.

(ii) **Employee Security**

Physical and job security to the employee should also be provided with a view to promoting security to the employee and his family members. The benefits of confirmation of the employee on the job create a sense of job security. Further a minimum and continuous wage or salary gives a sense of security to the life. The Payment of Wages Act, 1936, The Minimum Wages Act, 1948. The Payment of Bonus Act, 1965 provide income security to the employees.

(a) **Retrenchment Compensation** – The Industrial Disputes Act, 1947 provides for the payment of compensation in case of lay-off and retrenchment. The non-seasonal industrial establishments employing 50 or more workers have to give one month’s notice or one month’s wages to all the workers who are retrenched after one year’s continuous service. The compensation is paid at the rate of 15 days wage for every completed year of service with a maximum of 45 days wage in a year. Workers are eligible for compensation as stated above even in case of closing down of undertakings.

(b) **Lay-off Compensation** – In case of lay-off, employees are entitled to lay-off compensation at the rate to 50% of the total of the basic wage and
dearness allowance for the period of their lay-off except for weekly holidays. Lay-off compensation can normally be paid up to 45 days in a year.

(iii) Safety and Health

Employee’s safety and health should be taken care of in order to protect the employee against accidents, unhealthy working conditions and to protect worker’s capacity. In India, the Factories Act, 1948, stipulated certain requirements regarding working conditions with a view to provide safe working environment. These provisions relate to cleanliness, disposal of waste and effluents, ventilation and, temperature, dust and fume, artificial humidification, over-crowding, lighting, drinking water, latrine urinals, and spittoons. Provisions relating to safety measures include fencing of machinery, work on or near machinery in motion, employment of young persons on dangerous machines, striking gear and devices for cutting off power, self-acting machines, easing of new machinery, probation of employment of women and children near cotton openers, hoists and lifts, lifting machines, chains, ropes and lifting tackles, revolving machinery, pressure plant, floors, excessive or inflammable dust, gas, etc. Precautions in case of fire; power to require specifications of defective parts of test of stability, safety of buildings and machinery etc.

Workmen’s Compensation – In addition to safety and healthy measures, provision for the payment of compensation has also been made under Workmen’s Compensation Act, 1923. The Act is intended to meet the contingency of invalidity and death of a worker due to an employment injury or ad occupational disease specified under the Act at the sole responsibility of the employer. The Act covers the employees whose wages are less than Rs.500 per month. Amount of compensation depends on the nature of injury and monthly wages of the employee. Dependents of the employee are eligible for compensation in cases of death of the employees.

Health Benefits – Today various medical services like hospital, clinical and dispensary facilities are provided by organization not only to employees but also to their family members.
Employees State Insurance Act, 1948 deals comprehensively about the health benefits to be provided. This Act is applicable to all factories, establishments running with power and employing 20 or more workers. Employees in these concerns and whose wages do not exceed Rs. 1,000 per month are eligible for benefits under the Act. Benefits under this Act include:

(a) **Sickness Benefit** – Insured employees are entitled to get cash benefit for a maximum of 56 days in a year under this benefit.

(b) **Maternity Benefit** – Insured women employees are entitled to maternity leave for 12 weeks (six weeks before the delivery and six weeks after the delivery) in addition to cash benefit of 75 paise per day or twice sickness benefit, whichever is higher.

(c) **disablement Benefit** – Insured employees, who are disabled temporarily or permanently (partial or total) due to employment injury add/or occupational diseases are entitled to get the cash benefit under this head.

(d) **Dependent’s Benefit** – If an insured person dies as a result of an employment injury sustained as an employee, his dependents who are entitled to compensation under the Act, shall be entitled to periodical payments referred to as dependent benefit.

(e) **Medical Benefit** – This benefit shall be provided to an insured employee or to a member of his family where the benefit is extended to his family. This benefit is provided in the following forms:

- Out-patient treatment, or attendance in a hospital, dispensary, clinic or other institutions; or
- By visits to the home of the insured person; or
- Treatment as in-patient in a hospital or other institution.

An insured person shall be entitled to medical benefits during any week for which contributions are payable, or in which he/she is eligible to claim sickness or maternity benefits or eligible for disablement benefit.

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Voluntary Arrangements – However, most of the large organizations provide health services over and above the legal requirements to their employees free of cost by setting up hospitals, clinics, dispensaries and homoeopathic dispensaries. Company’s elaborate health service programmes include:

(a) Providing health maintenance service, emergency care, on-the-job treatment care for minor complaints, health counselling, medical supervision in rehabilitation, accident and sickness prevention, health education programme, treatment in employee colonies, etc.

(b) Medical benefits are extended to employee family members and to the retired employees and their family members.

(c) Small organizations, which cannot set-up hospitals, or large organizations (in those where hospitals cannot be set-up because of various reasons) provide the medical services through local hospitals and doctors. Sometimes they provide the facility of reimbursement of medical expenses borne by the employees.

Welfare and Recreational Facilities

Welfare and recreational benefits include: (a) Canteens; (b) Consumer societies; (c) Credit societies; (d) Housing; (e) Legal aid; (f) Employee counselling; (g) Welfare organizations; (h) Holiday homes; (i) Educational facilities; (j) Transportation; (k) Parties and picnics; and (l) Miscellaneous.

(a) Canteens – Perhaps no employee benefits has received as much attention in recent years as that of canteens. Some organizations have statutory obligation to provide such facilities as Section 46 often Factories Act, 1948 imposes a statutory obligation to employees to provide canteens in factories employing more than 250 workers. Others have provided such facilities voluntarily. Foodstuffs are supplied at subsidized prices in these canteens. Some companies provide lunchrooms when canteen facilities are not available.

(b) consumer Societies – Most of the large organizations located far from the towns and which provide housing facilities near the organization set-
up the consumer stores in the employees’ colonies and supply all the necessary goods at fair prices.

(c) **Credit Societies** – The objective of setting-up of these societies is to encourage thrift and provide loan facilities at reasonable terms and conditions, primarily to employees. Some organizations encourage employees to form cooperative credit societies with a view to fostering self-help rather than depending upon moneylenders, whereas some organizations provide loans to employees directly.

(d) **Housing** – Of all the requirements of the workers, decent and cheap housing accommodation is of great significance. The problem of housing is one of the main causes for fatigue and worry among employees and this comes in the way of discharging their duties effectively. Most of the organizations are located very far from towns where housing facilities are not available. Hence, most of the organizations built quarters nearer to factory and provided cheap and decent housing facilities to their employees, whilst a few organizations provide and/or arrange for housing loans to employees and encourage them to construct houses.

(e) **Legal Aid** – Organizations also provide assistance or aid regarding legal matters to employees as and when necessary through company lawyers or other lawyers.

(t) **Employee Counselling** – Organizations provide counselling service to the employee regarding their personal problems through professional counselors. Employee counselling reduces absenteeism, turnover, tardiness, etc.

(g) **Welfare Organization ‘s Welfare Officers** – Some large organizations set-up welfare organizations with a view to provide all types of welfare facilities at one centre and appointed welfare officers to provide the welfare benefits continuously and effectively to all employee fairly.
(h) Holiday Homes – As a measure of staff welfare and in pursuance of government’s policy, a few large organizations established holiday homes at a number of hill stations, health resort and other centres with low charges of accommodation, so as to encourage employee use this facility for rest and recuperation in pleasant environment.

(i) Educational Facilities – Organizations provide educational facilities not only to the employees but also to their family members. Educational facilities include reimbursement of fee, setting up of schools, colleges, and hostels, providing grants-in-aid to the other schools where a considerable number of students are from the children of employees. Further, the organizations provide reading rooms and libraries for the benefit of employees.

(j) Transportation – Companies provide conveyance facilities to their employees from the place of their residence to the place of work as most of the industries are located outside town and all employees may not get quarter facility.

(k) Parties and Picnics – Companies provide these facilities with a view to inculcating a sense of association, belongingness, openness and freedom among employees: These activities help employees to understand others better.

(I) Miscellaneous – Organizations provide other benefits like organizing games, sports with awards, setting up of clubs, community services activities, Christmas gifts, Deewali, Pongal and Pooja gifts, birthday gifts, leave travel concession and awards, productivity/performance awards, etc.

(v) Old Age and Retirement Benefits

Industrial life generally breaks family system. The saving capacity of the employee is very low due to lower wages, high living cost and increasing aspirations of the employees and his family members. As such, employers provide some benefits to the employees, after retirement and during old age,
with a view to create a feeling of security about the old age. These benefits are called old age and retirement benefits. These benefits include: (a) Provident Fund; (b) Pension; (c) Deposit linked insurance; (d) Gratuity; and (e) Medical benefit.

(a) Provident Fund – This benefit is meant for economic welfare of the employees. The Employee’s Provident Fund, Family Pension Fund and Deposit Linked Insurance Act, 1952 provides for the institution of Provident Fund for employees in factories and establishment. Provident Fund Scheme of the Act provides for monetary assistance to the employees and/or their dependents during post-retirement life. Thus, this facility provides security against social risks and this benefit enables the industrial workers to have better retired life. Employees in all factories under Factories Act, 1948 are covered by the Act. Both the employee and the employer contribute to the fund. The employees on attaining 15 years of membership are eligible for 100% of the contributions with interest. Generally the organizations pay the Provident Fund amount with interest to the employee on retirement or to the dependents of the employee, in case of death.

(b) Pension – The Government of India introduced a scheme of Employees Pension Scheme for the purpose of providing Family Pension and Life Insurance benefits to the employees of various establishments to which the Act is applicable. The Act was amended in 1971 when family Pension Fund was introduced in the Act. Both the employer and the employee contribute to this fund. Contributions to this fund are from the employee contributions to the Provident Fund to the tune of 1.5% of employee wage.

Employee’s family Pension Scheme 1971 provides for a Family Pension to the family of a deceased employee as per the following rates:

This scheme also for the payment of a lump sum amount of Rs. 4,000 to an employee on his retirement as retirement benefit and a lump sum amount of Rs. 2,000 in the event of death of an employee as life insurance benefit.
<table>
<thead>
<tr>
<th>Pay for Month</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs. 800 or more</td>
<td>12% of the basic subject to a maximum of Rs. 150 as monthly pension.</td>
</tr>
<tr>
<td>More than Rs. 200</td>
<td>15% of the basic subject to a maximum of but less than Rs. 96 and a minimum of Rs. 60 as monthly Rs. 800 pension.</td>
</tr>
<tr>
<td>Rs. 200 or less</td>
<td>30% of the basic subject to a maximum of Rs. 60 as monthly pension.</td>
</tr>
</tbody>
</table>

**c) Deposit Linked Insurance** – Employees Deposit Linked Insurance Scheme was introduced in 1976 under the Provident Fund Act, 1952. Under this scheme, if a member of the Employees Provident Fund dies while in service, his dependents will be paid an additional amount equal to the average balancing during the last three years in his account. (The amount should not be less than Rs. 10,000 at any point of time). Under the Employees’ Deposit Linked Insurance Scheme, 1976, the maximum amount of benefit payable under the deposit-linked insurance is Rs. 10,000.

**d) Gratuity** - This is another type of retirement benefit to be provided to an employee either on retirement or at the time of physical disability and to the dependents of the deceased employee. Gratuity is a reward to an employee for his long service with his present employer.

The Payment of Gratuity Act, 1972 is applicable to the establishment in the entire country. The Act provides for a scheme of compulsory payment of gratuity by the managements of factories, plantations, mines, oil fields, railways, shops and other establishments employing 10 or more persons to their employees, drawing the monthly wages of Rs. 1,600 per month.

Gratuity is payable to all the employees who render a minimum continuous service of five years with the present employer. It is payable to an employee on his superannuation or on his retirement or on his death or disablement due to accident or disease. The gratuity payable to an employee
shall be at the rate of 15 days wage for every completed year of service on part there of in excess of six months. Here the wage means the average of the basic pay last drawn by the employee. The maximum amount of gratuity payable to an employee shall not exceed 20 months wage.

(e) Medical Benefit – Some of the large organizations provide medical benefits to their retired employees and their family members. This benefit creates a feeling of permanent attachment with the organization to the employees even while they are in service.

**Holidays and Leave Facilities**

A sound policy of Vacation and leave facilities in emergencies is an essential condition in fostering good industrial relations.

**Weekly Holidays**

Section 52 of the Factories Act prescribes that first day of the week shall be a day of rest for all workers. The Act stipulates that no worker should be required to work on a Sunday unless (a) the worker has or will have a substituted holiday on one of the three days immediately before or after the Sunday and (b) the manager of the factory has delivered notice at the office of the Inspector of Factories of his intention to require the workers to work on Sunday and of the substituted holiday. He must also display a notice to that effect in the factory.

The substitution should not result in any worker working for more than 10 days consecutively without a holiday.

If a worker works on a Sunday and is given a substituted holiday on one of the three days immediately before that Sunday, the hours of that Sunday shall be included in the preceding week for the purpose of calculating the weekly hours.

The government may exempt specified factories from the above provision. If such exemption is granted and if under such exemption, a worker is deprived
of any of the weekly holidays, he should be allowed within the month in which
the holidays were due to him or within the months immediately following that
month, compensatory holidays equal in number to the holidays he has been
deprived of.

The Shops and Establishment Act, Minimum Wages Act, Plantation
Labour Act and all other relevant Labour Acts provide for one day as day of
rest in a week. This is necessary from the health and safety points of view.

Privilege Leave (Vacation)

Section 79 of the Factories Act and Rules thereof provide for annual
vacation for workers.

Every workman who has completed a period of twelve months of
continuous service should be allowed during the subsequent period of twelve
months, leave with wages, calculated at the rate of one day for every twenty
days of work performed for an adult subject to a minimum of 10 days and one
day for every 15 days of work performed for a child subject to a minimum
of fourteen days.

Period of leave shall be inclusive of any holiday, which may occur
during such period.

If a worker who has completed four months continuous service is
discharged before he has completed twelve months’ service continuously, he
should be paid the wages due for the proportionate leave he would be entitled
to.

A worker can accumulate leave due to him for two years, provided,
however, that he does not carry forward more than fifteen days from one year
to the next, provided further that if leave is not granted to a worker who applies
for the same, he may be permitted to carry forward more than fifteen days from
one year to the next.

A worker is entitled to receive in advance his wages for the leave period
provided he takes such leave for not less than four days.

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Employer should maintain the leave Register in the prescribed form (Form 15) and the Register should be preserved for a period of three years.

According to Rule 114, each worker should be provided a leave book as prescribed in Form 16.

Even though the minimum privilege leave required under the Act is 15 days a year, there are many industrial undertakings who treat it liberally and grant more days such as 21 days, 24 days and in some cases, one month.

The Standing Orders must clearly state the rules of procedure in the matter of granting privilege leave.

The following are the rules generally observed:

1. Application for leave must be given in the prescribed form through the departmental foreman/manager as the case may be at least one week before the leave is required.

2. The departmental foreman must forward the application with his recommendation to the Personnel Department for verification of the leave previously taken and to ascertain whether the applicant is entitled for leave, if so how much and then for recording. The Personnel Department must then forward the leave application to the manager or person authorized to sanction leave.

3. It would be advisable and advantageous to the management as well as to the workers, if a leave scheme can be followed, encouraging the workers to advise the management in the month of January itself, the dates when they desire to take their annual leave during the year.

4. On receipt of such advice from the workers, the management must subject to the exigencies of company’s business, fix the date tentatively when the leave can be granted.

5. Leave will be granted entirely and the discretion of the management. Management can alter the dates fixed or cancel the leave previously
fixed, if it becomes necessary in the interest of company’s business. In such case the employee concerned must be informed in writing stating the reasons for the refusal or the change in the leave date.

6. Privilege leave can be permitted in installments to suit the convenience of the workers. In the first instance a minimum of 7 days must be taken.

7. Privilege leave should not be granted for less than one full day.

8. Minimum of 3 days’ notice must be given before availing privilege leave balance, if any, except in emergencies.

9. No employee is permitted to avail the leave without written permission from the management.

10. The employee must be advised in writing whether leave is granted or not and if not granted why.

11. Employee availing four days or more of privilege leave should be paid his leave pay in advance.

Sick Leave

Sick leave policy and procedure vary from one industry to another. Some employers grant seven days sick leave with full pay and additional 14 days on half pay per year. In the case of serious or deserving cases, special consideration will be given in the matter of granting sick leave with pay. In doing so the employee’s previous sick leave record will be looked into.

Certain managements grant 30 days sick leave with half pay. There are industrial undertakings where there is no provision for sick leave at all. It is left to the management’s discretion.

Factories Act makes no provision for sick leave whereas Shops and Establishments Act provides for 12 days sick leave with pay per year.

Now that the Employees’ State Insurance Act has been enforced in industrial areas, the policy of sick leave is being viewed and framed accordingly.
As per the Employees’ State Insurance Act, every insured workman is entitled to free medical treatment in case of sickness.

Medical benefit includes free consultation, free medicine, drugs and dressings, home visits, hospitalization in all serious and other emergent cases and radiological and pathological treatment.

He will also, during the period of his sickness, get a cash benefit equal to about half his daily wage per day for a maximum of 56 days per year.

A worker certified to be sick by the Employees’ State Insurance Medical Officer cannot be discharged by the management for reasons of long absence due to sickness.

As the employees’ State Insurance Act is not applicable to all establishments or categories of employees, there will be large number of persons who are not covered by the provisions of this Act. It is, therefore, necessary for employers to provide a definite scheme of sick leave procedure in their Standing Orders or service conditions. Sick leave entitlement under the standing orders may be allowed to accumulate, so that in the event of any prolonged sickness at a later date, the accumulated leave can be availed.

An employee who has privilege leave due to him can be permitted to avail the same on completion of his sick leave entitlement.

An Employee falling sick while on duty must report to the medical officer with an authorization slip from his department foreman.

The medical officer, after examination, will either send the employee back to work after treatment or grant him sick leave, as he may consider necessary. In the event of granting sick leave he must advise the Personnel Department foreman by separate chits.

If the employee falls sick outside the premises of the company and/or outside the working hours, he must either report to the company’s medical office/Employees’ State Insurance medical officer, as the case may be, on the
following morning and also notify the Personnel Department on the first day of illness and apply for leave.

Claim for sick leave must be supported by proper medical certificate.

**Casual Leave**

The Shops and Establishments Act is the only labour legislation which provides for casual leave. An employee is entitled to 12 days casual leave according to the Shops and Establishments Act.

By practice and custom casual leave has become an integral part of the leave policy of industrial concerns. There is no uniform policy followed. Number of days ranging from five to fifteen is granted as casual leave in certain industries.

Casual leave is intended to assist the employees in times of unforeseen, urgent and personal emergencies.

Casual leave can be granted or refused at the sole discretion of the management.

Casual leave is not cumulative. Casual leave is not granted generally for more than two/three days at a time.

**Leave on Loss of Pay**

Employees who have no privilege leave or casual leave to their credit can be permitted to avail leave without pay in extreme emergencies. No such leave will be taken without prior permission of the management.

**National and Festival Holidays**

There is no central legislation for National or Festival holidays, except government notifications or press releases from time to time, whereas some State Governments have enacted “Industrial Establishments (National and Festival Holidays) Act”. For example, the Kerala Industrial Establishments (National and Festival Holidays) Act, 1958 provides that every employee shall be allowed in each calendar year a holiday of one whole day on the 26th January.
(Republic Day), 1st May (Labour Day) and 15th August (Independence Day) and
4 other festival holidays fixed in consultation with the employees. Whether
there is a legal status or not, it has become a privilege by usage and practice
and by awards of tribunals.

The number of festival holidays granted by an employer depends on
many factors. Generally holidays are declared for national and religious festivals,
ranging from five to twenty-seven days.

The tendency on the part of the workers and their unions to demand
more and more holidays is to be discouraged.

Festival holidays are usually fixed in consultation with the trade unions
of the workers. In some establishments, the workers are given the option to
select half the number of festival holidays and the management fixes the other
half. One or two festival holidays can be left as optional or sectional religious/
festival holidays to enable a particular caste or section of the employees to
avail the same.

In the matter of payment for a paid holiday, an employee is not entitled
for the wage on a paid holiday, if he is absent without leave on the preceding
or succeeding day.

Quarantine Leave

If and when there is an attack of chicken pox, small pox, cholera or
any other epidemic in a worker’s family (to anyone of his dependents) he must
notify the Personnel Department immediately. The Personnel Department, in
consultation with the medical officer, will arrange to grant him leave. If there
is no privilege leave or casual leave to his credit, he be granted leave without
pay and the same should be treated as quarantine leave.

He should not be allowed to resume work until the medical officer
is satisfied that there is no danger in permitting him to join duty. The precaution
is necessary to prevent ‘epidemic taking its role among the other workers.

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Accident Leave

According to the Workmen’s Compensation Act, a worker meeting with an industrial accident, becomes entitled for half monthly compensation for temporary disablement and lump sum compensation for permanent disablement and fatal accident.

An employee is entitled for half monthly compensation only after a waiting period of three days, if the temporary disablement lasts less than 28 days. He will be paid for the first 3 days’ waiting period also if the temporary disablement lasts more than 28 days.

The waiting period is intended to prevent misuse and pretending by workers.

Prosperous and progressive employers pay for the first three days their full wages as ex-gratia payment. But in majority of the cases, no payments are made.

This position is, however, slightly changed in the case of factories coming under the Employees’ State Insurance Act.

As per the Employees’ State Insurance Act, when an insured-worker suffers an injury in the course of his employment, he will receive, besides free medical treatment, disablement benefit in cash roughly equal to one half of his wages for the period for which he is’ certified as unable to attend to work.

There is waiting period according to this Act also, but if the temporary disablement lasts for more than seven days the cash benefit will be paid to him from the beginning.

Accident leave in industry costs millions of man-hours. This can be reduced only by means of effective safety education and safety precautions.

General

There is wide disparity between the Factories Act and the Shops and Establishments Act in the matter of leave provisions, the former providing for
4 days of privilege leave with pay per year, while the latter providing for 12 days of privilege leave, 12 days casual leave and 12 days of sick leave with pay per year. This anomaly must be rectified.

A record of all leaves taken by the employee must be maintained by the Personnel Department.

An employee who fails to return from leave, whether privilege, sick or casual or leave of absence on loss of pay, on the due date can be treated as absent without permission, liable for disciplinary action under provisions of the Standing Orders.

There must be provision in the Standing Orders, clearly stating that an employee who remains absent beyond the period of leave originally granted or subsequently extended, will lose his lien on his job unless he returns within seven days of the expiry of the leave and unless he gives satisfactory explanation regarding his absence. If the explanation is not satisfactory, the employer can take disciplinary action against him.

Question of paid holidays and leave facilities are being raised by unions in most labour demands. Even though directives have been given by Tribunals, a uniform policy has not yet been evolved. Apart from the question of paid religious festival holidays which are necessarily to be treated on state level depending on the various religious festivals, leave and holidays policy in industry must be dealt with on a national level and a uniform policy has to be followed.
Introduction

The most important development in the industrial field is the evolution of the institution of trade unions. The industrial revolution gave birth to the factory system and new and new scientific researches developed it. The large-scale production under the factory system is increased enormously and the labour problems of unique nature had developed a new system of capital economy which further gave rise to the human problems of labour. Labour was exploited because capitalists did not regard the labour more than a commodity which could easily be sold or bought. There were two groups—labour and capitalist. The states then began to take interest in the labour problems because they were welfare states. Government of different countries inacted several laws to protect the interests of the labour class from the exploitation of the capitalistic Class. Moreover, several labour leaders united them to take care of their own interest and trade unions were formed and developed. Today, there is hardly any industry or firm which has no trade union or there is hardly any worker who is not affiliated to any trade union. In modern times, the trade unions have widened their scope of activities and contributed a lot to improve the fate of the workers. Now trade unions are the main agents of collective bargaining which provides security of job and security from several industrial hazards.

Meaning of Trade Union

Trade union is a voluntary organization of workers formed to protect and promote their interests through collective action. These may be formed on plant basis, industry basis, firm basis, regional basis or national basis. Different writers and thinkers have defined the trade union differently. A few definitions are given below:

(1) Trade Union is a “continuous association of wage earners for the purpose of maintaining and improving the conditions of their working lives”. – Webb
(2) “A labour union or trade union is an organization of workers to promote, protect and improve, through collective action the social economic and political interests of its members”. - Edwin B. Flippo

(3) Trade Unions are “all organizations of employees including those of salaried and professional workers as well as those of manual wage earners which are known to include among their functions that of negotiating with their employees with the object of regulating conditions of employment”. - British Ministry of Labour

From the analysis of the above definitions we may conclude that trade union is a voluntary organization of workers formed primarily for the purpose of pursuit of the interests of its members.

**Objects of Trade Unions**

The main object of the trade unions development was to protect the interest of its members against the exploitation of employers. Now they are not only the safeguards of the interests of the members against any industrial hazards but they are also the representative spokesmen of organized labour and may be organized to achieve several objects of their members. Usually they organize to achieve the following objects:

(1) **Better Wages** - The main object of trade unions is to secure the better wages for the workers in keeping with the prevailing standards and the cost of living in the country. They strive to obtain a part of the increased prosperity of industry for the members in the form of bonus.

(2) **Better Working Conditions** - Trade union, strive for better working conditions for the workers by procuring shorter work, hours, leave with pay, social security benefits and other welfare facilities.

(3) **Protection Against Victimization** - Trade unions not only minimize the helplessness of the individual workers by making them stand collectively and increasing their resistance power through collective bargaining but also protect their members against victimization or injustice of the employers.
They fight tooth and nail against retrenchment and rationalization plans.

(4) **Self-Confidence** - Trade unions provide self-confidence in workers and a feeling that they are not simply a cog in the machine.

(5) **Labour Welfare** - The main object of a trade union is the welfare of its members. It often takes up welfare measures such as guiding, counselling and helping the workers in their difficulties. It also provides several welfare facilities such as housing, medical, educational and group benefit schemes.

(6) **Industrial Peace** - Trade union arranges for the welfare measures. It removes the sense of insecurity among workers and seeks cooperation of each and every member with a view to organize it as a militant organization. It promotes peace in the industry.

(7) **Collective Bargaining** - Individual worker is too weak in bargaining. Trade union, through collective bargaining, protects the interest of the workers. Thus collective bargaining is the main object of the trade unions.

(8) **Safeguarding the Interests of the Trade** - The another objective of trade union is to safeguard the interest of trade or industry concerned through active cooperation or association with, and participation in the management of industrial units. By cooperation, it can improve the level of production and productivity, discipline and standards of quality.

**Methods of Achieving Objectives**

Trade unions are formed to achieve the above mentioned objectives. They can accomplish the above objectives through following methods:

(1) **Mutual Insurance** - Under this system, trade unions establish a fund. They maintain such fund by collecting money from their members.

Such fund is utilized by the union in carrying out certain welfare plans for the benefit of their members. They also financially assist their members in emergency, e.g., in case of accident, illness or during strike. But this method is feasible only when their membership is large enough and the financial position of unions is strong.
(2) **Collective Bargaining** - It is the method where trade unions and the representatives of management sit together and resolve their disputes or negotiate an agreement with the management for better working conditions, terms of employment, bonus, participation in management and other benefits. This method has generally been used by the trade unions all over the world.

(3) **Legal Enactment** - Demand for the honest implementation of various provisions of different acts concerning them and offer suggestions to the Government for their amendment wherever necessary is one of the methods for projecting the interests of their members.

Trade unions generally use the above three methods combinedly.

**Functions of Trade Unions**

The basic function of unions is to protect and promote the interest of the workers and conditions of their employment. The other factors are:

i) achieving higher wages and better working and living conditions for the members;

ii) Acquiring the control of industry by workers;

iii) Minimizing the helplessness of the individual workers by making them stand collectively and increasing their resistance power through collective bargaining; protecting the members against victimization and injustice of the employers;

iv) Raising the status of the workers as partners of industry and citizens of society by demanding increasing share for the workers in the management of industrial enterprises;

v) Providing a worker self-confidence and a feeling that he is not simply a cog in the machine;

vi) Imbibing-sincerity and discipline in workers; and

vii) Taking up welfare measures for improving the morale of the workers.

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The National Commission on Labour has pointed out the following basic functions on which the trade unions has to pay greater attention:

i) to secure for workers fair wages;
ii) to safeguard security of tenure and improve conditions of service;
iii) to enlarge opportunities for promotion and training;
iv) to improve working and living conditions;
v) to provide for educational, cultural and recreational facilities;
vii) to cooperate in and facilitate technological advance by broadening the understanding of workers on its underlying issues;

vii) to promote identity of interests of the workers with their industry;

viii) to offer responsive cooperation in improving levels of production and productivity, discipline and high standard of quality; and generally

ix) to promote individual and collective welfare.

Besides these basic functions of the trade unions, the Commission also entrusted the following responsibilities upon the trade unions:

i) promotion of national integration.

ii) generally influencing the socio-economic policies of the community through active participation in their formulation at various levels; and

iii) instilling in their members a sense of responsibility towards industry and the community.

The functions of trade unions can be divided into five categories, viz.:

(a) Militant or Protective or Intra-Mural Functions
(b) Fraternal or Extra-Mural
(c) Social Functions
(d) Political Functions
(e) Ancillary Functions

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(a) **Militant or Protective or Intra-Mural Functions** - These functions include protecting the workers’ interests, i.e., hike in wages, providing more benefits, job security, etc., through collective bargaining and direct action such as strikes gheraos, etc.

(b) **Fraternal or Extra-Mural Functions** - These functions include providing financial and non-financial assistance to workers during the periods of strikes and lockouts, extension of medical facilities during slackness and causalities, provision of education, recreation, recreational and housing facilities, provision of social and religious benefits, etc.

(c) **Social Functions** - These functions include carrying out social service activities, discharging social responsibilities through various sections of the society like educating the customers.

(d) **Political Functions** - These functions include affiliating a union to a political party, helping the political party in enrolling members, collecting donations, canvassing during election-period, seeking the help of political parties during the strikes and lockouts.

(e) **Ancillary Functions** - Ancillary functions of trade unions include:

   (i) **Communication**: Trade Unions communicate its activities, programmes, decisions, achievements, etc., to its members through publication of newsletters or magazines.

   (ii) **Welfare Activities**: Trade Unions undertake welfare activities like acquiring of house sites, construction of houses, establishment of cooperative housing societies, cooperative thrift and credit societies, organizing training activities, etc.

   (iii) **Education**: Trade Unions provide educational facilities to its members and their family members.

   (iv) **Research**: Trade Unions arrange to conduct research programmes. They systematically collect and analyze data and information for collective
bargaining, preparing of notes for union officials, for court cases, etc. They also arrange to analyze macro data about the economy, industry and different sectors, etc.

The following principles regulate trade union functions:

(i) The Doctrine of Vested Interest - According to this doctrine, “wages and other conditions of employment hitherto enjoyed by any section of workmen ought under no circumstances be interfered with for the worse”.

(ii) The Doctrine of Supply and Demand - This doctrine relies on the method of collective bargaining and implies that because of collective action on the part of labourers, trade unions are able to attain their objectives.

(iii) The Doctrine of Living Wage - This doctrine empowers the workers to maintain their right to demand to living wage.

(iv) The Doctrine of Partnership - This doctrine implies that the workers are to be accepted as partners in industry as such they should be associated with the affairs of the management.

(v) The Doctrine of Socialism - This doctrine implies that every worker has a right to work, rest and leisure, maintenance in old age, sickness and disability and equal pay for equal work.

Scenario of Indian Trade Unions

All India Trade Union Congress - The most important year in the history of Indian Trade Union Movement is 1920, when the All India Trade Union Congress (AITUC) was formed consequent upon the necessity of electing delegates for the International Labour Organization (ILO). This is the first All India trade union in the country. The first meeting of the AITUC was held in October, 1920 at Bombay under the Presidentship of Lala Lajpat Rai. The formation of AITUC led to the establishment of All India Railwaymen’s Federation (AIRF) in 1922. Many company Railway Unions were affiliated to it. Signs of militant tendency and revolutionary ideas were apparent during this period.
The basic objectives of the AITUC are:

i) to establish a socialist State in India;

ii) to socialize and nationalize means of production, distribution and exchange;

iii) to ameliorate the economic and social conditions of the working class;

iv) to watch, promote and further the interests, rights and privileges of the workers in all matters relating to their employment;

v) to secure and maintain for the workers the freedom of speech, freedom of press, freedom of association, freedom of assembly, the right to strike and the right to work and maintenance;

vi) to coordinate the activities of the labour unions affiliated to the AITUC;

vii) to abolish political or economic advantage based on caste, creed, community, race or religion; and

viii) to secure and maintain for the workers, the right to strike.

The splinter group of AITUC formed All India Trade Union Federation (AITUF) in 1929. Another split by the communists in 1931 led to the formation of All India Red Trade Union Congress. Thus, the splits were made prominent during the period. However, efforts were made by the Railway Federation to bring the unity within the AITUC. These efforts did bear fruit and All India Red Trade Union Congress was dissolved. Added to this, All India Trade Union Federation also merged with AITUC. The unified AITUC’s convention was held in 1940 in Nagpur. But the unity did not last long. The World War II brought the splits in the AITUC. There were the two groups in the AITUC, one supporting the war while another opposing the war. The supporting group established its own central organization called the Indian Federation of Labour. A further split took place in 1947, when efforts were made by the top leaders of the Indian National Congress who formed another central organization.

**Indian National Trade Union Congress** - The efforts of Indian National Congress resulted in the establishment of Indian National Trade Union Congress

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(INTUC) by bringing the split in the AITUC INTUC started gaining membership from its inception itself.

The objectives of INTUC are:

i) to place industry under national ownership and control in a suitable form;

ii) to secure increasing association of workers in the administration of industry and their full participation in that control;

iii) to organize society in such a manner as to ensure full employment and the best utilization of its manpower and other resources;

iv) to promote social, civic and political interest of the working class;

v) to establish just industrial relations;

vi) to secure redressal of grievances, without stoppage of work, by means of negotiation, conciliation, and failing these, arbitration and adjudication;

vii) to take other legislative methods including strikes or any suitable form of satyagraha, where adjudication is not applied and settlement of disputes within reasonable time by arbitration is not available for the redress of grievances;

viii) to make necessary arrangements for the efficient conduct and satisfactory and speedy conclusion of authorized strikes or satyagraha;

ix) to foster the spirit of solidarity, service, brotherhood, cooperation and mutual help among the workers;

x) to develop in the workers a sense of responsibility towards industry and the community; and

xi) to raise the worker’s standard of efficiency and discipline.

Other Central Unions - Socialists separated from AITUC had formed Hind Mazdoor Sabha (HMS) in 1948. The Indian Federation of Labour merged

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with the HMS. Radicals formed another union under the name of United Trade Union Congress in 1949. Thus, the trade union movement in the country was split up into four distinct central unions during the short span of 1946 to 1949.

Some other central unions were also formed. They are Bharatiya Mazdoor Sangh (BMS) in 1955. The Hind Mazdoor Panchayat (HMP) in 1965. The Centre of Indian Trade Union (CITU) in 1970. Thus splinter group of INTUC formed Union Trade Union Congress. - the split in the Congress Party in 1969 resulted in the split in INTUC and led to the formation of National Labour Organization (NLO).

The objectives of Hind Mazdoor Sabha are:

i) to organize and promote the establishment of a democratic socialist society in India and to further the economic, political, social and cultural interests of the Indian working class;

ii) to provide full opportunities for the development of mental and physical personality of the workers;

iii) to strive for getting a living wage to all workers;

iv) to guarantee work to every worker;

v) to get full social security measures and comprehensive medical care introduced by the industry for workers;

vi) to get adequate leisure for the workers in the form of reasonable hours of work and holidays with pay;

vii) to arrange for adequate housing facilities;

viii) to arrange for the introduction of free and compulsory education and facilities for vocational guidance;

ix) to get effective recognition of the right of collective bargaining;

x) to cooperate with other organizations in the country and outside having similar aims and objects; and

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xi) to secure and maintain for, workers freedom of association, freedom of assembly, freedom of speech, freedom of press, right to strike.

The objectives of Bharatiya Mazdoor Sangh are:

i) “to establish the Bharatiya order of classless society in which there shall be secured full employment; replacement of profit motive by service and establishment of economic democracy; development of autonomous industrial communities with each one of them consisting of all the individuals connected with the industry as partners”;

ii) to assist workers in organizing themselves in trade unions as a medium of service to the motherland irrespective of faiths and political affinities;

iii) the right to strike; and

iv) to inculcate in the minds of the workers the spirit of service, cooperation and dutifulness and develop in them a sense of responsibility towards the nation in general and the industry in particular.

**Union Structure**

The structure of Trade Unions in India varies from organization to organization. However, the structure can be classified into four types, viz.:

1. Craft Unions
2. General Unions
3. Industrial Unions
4. Federations

(1) **Craft Unions** - If the workers of the same craft or category of the job form into an union, that union is called Craft Union. These Unions are called as horizontal unions. The basic logic behind the formation of such unions is that the workers belonging to the same craft do face similar problems - mostly non-managerial personnel from such unions. Examples of Craft Unions are Drivers’ Associations, Signaling Staff Union in Indian Railway.
(2) General Unions - If the workers of any industry, any region and of any job or occupation form into one union in order to protect the overall interests of the workers, such unions are called General Unions.

(3) Industrial Unions - If the workers of different categories form into a Union that Union is called Industrial Union. These Unions are also called “vertical” unions. The logic behind the formation of these unions is that workers of the same industry have the common bend and they are governed by same rules and regulations and are administered by same management. Moreover, the problems of all the same industry are more or less common. The importance of these unions has been increasing in recent times.

(4) Federation and Confederation - Industrial Unions, either of same industry or of the different industry may form into an association in order to improve Trade Union unity/strength. Such Unions of Unions are called Federations. During the critical situations Unions/Federations in different industries may resort to concerted action without losing their individuality. In such situations the federations form into an Association and such an association is called Confederation. For example Federation of Indian Railways, P & T, Central government Employees may form into a Confederation.

Obstacles to the Development of Trade Unions in India

The trade union movement in India is still in its infancy and, therefore, we cannot compare it with the giant unions of U.K. and U.S.A. Some of the weaknesses of the trade union movement in India may be enumerated below:

(1) Small Size of Trade Unions - Most of the trade unions in India are of small size having very small membership. 80% of the unions are of less than 500 members. This is not a healthy development because small unions are not in a position to carry on collective bargain, negotiations effectively, maintain discipline among their own members and finance mutual benefit schemes. Small unions fail in pressurizing’ the government and the employers in the pursuit of meeting workers’ demands. The small size of the trade unions is attributed to the provision in the Trade Union Act, requiring only seven members to form an association or union.
(2) **Limited Membership** - Trade unions in India are confined to urban areas and their total membership forms a small percentage of the total workers. Even in organized sector, where trade unions are strong, a good number of workers do not join any union. A Government survey disclosed that there are 82% of the units where number of workers is below 500 but only 18% of the total workers were the members of the trade union.

(3) **Outside Leadership** - In India trade unions are in the hands of outsiders whose interests are always not identical with those of the workers. Trade unions lack self-reliance. Such outsiders are generally professional men such as lawyers or social and political workers. They have no technical knowledge of industry concerned and of the problems the workers face. They could not pay proper attention to the union work. Further philanthropic nature of their work weakens their sense of responsibility. The main reason of this outsider leadership is illiteracy among workers.

(4) **Low Income of Members and Meagre Funds** - Poverty and low saving capacity of the members hinder the growth of healthy trade union movement. The workers fail to contribute their subscription or some members do not even become member of the union just to avoid their contribution. Morteover, subscription is not paid regularly hence the funds with the trade union are limited and they cannot contribute much to the labour welfare. A survey estimates disclose that only 4% of their income is spent on welfare work.

(5) **Migratory Character** - The migratory character of Indian labour has proved a great hindrance in the development of the movement. The workers do not take keen interest in union activities, because they are mainly concerned with coming from and going to their villages. Workers are generally made themselves absent from their duty at the time of crops.

(6) **Illiteracy** - Indian labour is illiterate and fails to understand the trade unionism. Workers could not understand the implications of the law and the procedure. This is the only cause of their dominance by the outside leadership. They tend to develop a complex feeling and a slavish mentality. They are easily exploited by their leaders for their own vested interests.

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(7) **Multiplicity of Union** - There are more than one union in most of the industries in India because of various political parties’ dominance over workers. So the membership of each union remains very meager to influence the employer or the Government in safeguarding their interest. A good member of workers could not become the member of any union because they could not decide which union they should join. The multiplicity of union leads inter-union rivalries and weakens the collective bargaining power.

(8) **Political Influence** - Trade unions in India have been an arena for the struggle of the conflicting political ideologies. Different political parties have always been trying to capture the labour movement. It is not uncommon that strikes are arranged by the leader only to serve their political aims. Consequently movement lacks unity and solidarity. It is evident from the fact that all the central unions are controlled by different political ideologies.

(9) **Lack of Unity** - Indian labour is not only illiterate, and financially backward but also divided on the basis of their caste, creed and religion, which prevent them to unite. Individual differences increase and foiled the movement.

(10) **Instability of Trade Union** - In India, many trade unions continue to be virtually strike associations expanding rapidly when a conflict arises but liquidating equally with the same speed when a conflict arises is over. This character weakens the strength of the trade union movement.

(11) **Attitude of Employers** - The attitude of the employers in India has been found to be hostile to the organization of trade unions. They adopt all means to disrupt the activities and unity of workers. They also victimize the leaders of labour movement and employ, in some cases, spies, goondas and strikebreakers to -sabotage the union activities. Inducing the setting up of rival union has also been a popular practice with employers.

(12) **Faulty Method of Labour Recruitment** - The system of recruitment in India is also defective since it does not encourage the evolution of a permanent working class. The recruitment is made by intermediaries who oppose the formation of trade unions. Sometimes they impose it as an employment condition at the time of recruitment.
(13) **Narrow Outlook of Unions** - In our country trade unions have a very narrow range of services. They rarely look after the social needs of workers. Besides trade unions never pay any attention to the increase in the productivity of their members. They are always in the striking position with the employers and do not cooperate them in the accomplishment of organizational goals. This narrow outlook of unions could not attract the honest and loyal workers.

**Measures to Strengthen Trade Union Movement in India**

The Trade Union Movement in India has been facing several problems as discussed earlier. Moreover, the problems of trade unions are like a vicious circle. It is not possible to put an end to all their problems, not mitigate them to a reasonable level. Hence, Management, Trade Unions, Political parties should take steps to reduce the effect of these problems. The following are some of the measures to minimize trade union problems and to strengthen the Trade Union Movement in India.

1. Development of United Labour Front. Developing united labour front with one policy, objective, programme and method can eradicate most of the present day’s trade union problems.

2. Development of efficient leadership. Outside political leadership has been developed due to the absence of internal leadership. Outside leadership is the main cause for the multiple problems of the Trade Unions. These problems can be eradicated through the development of leadership talents from within. Management should encourage internal workers to lead their own movement. Management and trade unions should provide educational and training facilities for the development of internal leadership.

3. The membership fee should be raised as the amount of wages of the workers increased significantly, compared to the situation in 1926 when trade union Act provided for the collection of 25 paise per member per month as subscription fee.

4. Trade Unions should extend welfare measures to the members and actively render social responsibilities.

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5. The Trade Union Act 1956 should be amended and the number of members required to form a trade union should be increased from 7 to 50% of the employees of an organization. Similarly the scope for the outside leadership should be reduced from 50% to 10%. The membership subscription should be enhanced from 25 paise to 1% of the monthly wages of the worker.

6. The Trade Union Act should be amended in order to avoid dual membership.

7. There should be legal provision for the recognition of the representative union.

8. Trade Unions should not unnecessarily interfere in the management decision where their interference reduces the organizational effectiveness.

9. Trade Unions should form a labour party and trade unions in the country should be affiliated “to it. It gives adequate strength to the trade unions both in the industry and parliament.

Advantages and Disadvantages of Trade Unions

Advantages of Trade Unions

I - Advantages to Workers

i) It can promote unity among worker members.

ii) Workers’ efficiency can be increased by improving working conditions and providing better welfare facilities.

iii) Employer’s attitude of exploiting workers changes.

iv) Trade unions can induce self-reliance and self-respect among the workers thereby helping to build up national character. They can, therefore, be paid fair share of the results based on the actual work produced.

v) Trade unions can help maintain the wages at a uniform level in terms of the actual economic value.

vi) Trade unions can negotiate better with the employers through collective bargaining. Being an organized body it can avoid strike and dispute
honourably by putting pressure on the employers to solve the problem on the basis of self-respect.

vii) If trade union is strong, it can participate in the working of the industry.

II - **Advantages to Employer/Producers**

Employers or producers will also be benefited in the following ways:

i) Industrial disputes can be avoided or may be solved amicably by developing mutual interests and thus employers can maintain workflow.

ii) Trade unions may develop a sense of responsibility and loyalty among workers through counselling and collective bargaining. In this way, they help maintaining industrial peace.

iii) They protect the social resources and make best use of them by promoting industrial democracy.

iv) Trade unions may associate the employers in framing healthy labour policies, which may weaken the chances of dispute in future.

III – **Advantages to Society**

Society is also benefited with the healthy growth of trade unions as follows:

i) In crises, they can put their viewpoint before the public to gain their sympathy. If they are fighting for a good cause, they can gain sympathy of the general public.

ii) Trade unions can propose to the Government to enact labour policies to protect and develop labour force of the country in a better way.

iii) Trade unions can play a very significant role in the development of industrial economy by maintaining good industrial relations. It will result in higher and better production at lower costs.

iv) In this way labour unions play an important role in developing labour-force, promoting industrial peace, increasing production and improving working conditions.
Disadvantages of trade Unions

The above discussion should not lead one to feel that there are only benefits of trade unionism. Certain disadvantages can also emanate as briefly mentioned below:

1. The development of trade unionism in India reveals that trade unions are affiliated to political parties. Through political leanings workers are misguided to achieve the political motives and objectives through strikes, gheraos and other devices and thus they lose their own interests. They gain a little or nothing out of such tactics.

2. In our country trade unions are regarded as strike committees only because of the fact that they have contributed nothing except organizing strikes, etc. to get higher emoluments. In this way, they have lost public sympathy. Moreover, it encourages inefficiency forcing the employer to employ more workers and thus increasing the cost of output and reducing the productivity and profitability.

3. Through force, trade unions’ coerce the workers to support the union’s view by joining strikes, etc. which affect production on the one hand and loyalty of honest workers to the group on the other hand. The labour trouble intensifies in this way.

4. A powerful union of workers in a particular industry can secure higher wages though it may be quite unreasonable. It includes the workers in other industries to put an unreasonable demand for higher wages.

5. Trade unions ignore the social interests. They never advocate for the increase in production and productivity and thus take one-sided view.

Thus trade unions can playa very important role if they are guided properly.
LESSON : 14
COLLECTIVE BARGAINING

Meaning and Concept

Collective bargaining is the technique that has been adopted by unions and managements to reconcile their conflicting interests. It is called collective because the employees, as a group, select representatives to meet and discuss differences with the employer. Collective bargaining is opposite of individual bargaining which takes place between management and a worker, as an individual, apart from his fellow employees. Collective bargaining plays a significant role in improving labour-management relations and in ensuring industrial harmony. The negotiations for collective bargaining require joint sessions of the representatives of labour and management. These help a lot in promoting a better understanding of each other’s point of view as well as the problems confronting them. Through discussions and interactions, each party learns more about the other, and misunderstandings are often removed. Although all major differences may not always be sorted out, collective bargaining helps in resolving out many minor differences; and there are many instances in which even major disputes have been settled without any work stoppage or outside intervention. Accordingly, the role of collective bargaining in conflict resolution is very significant. It builds up safety valves, allowing the opposite group’s excess steam to escape without blowing the whole mechanism to pieces.¹

The phrase collective bargaining is said to have been coined by Sydney and Beatrice Webb, and Great Britain is said to be the “home of collective bargaining”.² The idea of collective bargaining emerged as a result of industrial conflict and the growth of the trade union movement, and was first given currency in the United States by Samuel Gompers. In India, the first collective bargaining agreement was concluded in 1920 at the instance of Mahatma Gandhi to regulate labour-management relations between a group of employers and their workers in the textile industry in Ahmedabad - at that time the only instance of collective bargaining in India.³

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The phrase collective bargaining is made up of two words – collective, which implies group action through its representatives; and bargaining, which suggests haggling and/or negotiating. The phrase, therefore, implies “collective negotiation of a contract between the management’s representatives on one side and those of the workers on- the other”. It also implies an original yet flexible position from which one of the negotiating parties, or both, may retreat gracefully to a position of compromise. In collective bargaining, a give-and-take principle is generally at work, for a rigid, hard or inflexible position does not make for a compromise settlement. Bakke and Kerr have repeatedly stressed the flexible character of collective bargaining.4

According to Randle, “collective bargaining has different meanings for different individuals or groups. Trade unions, managements and the public have divergent views on this process because each is differently affected by it. Moreover, collective bargaining is dynamic and not static; and the concept is relatively new, for in terms of recognition, interpretation and extension, it is still in the process of growth. It is also difficult to get at its specific meaning because of the complexities implicit in it. Collective bargaining is a function which “partakes of the nature of psychology, debate, philosophy, human relations, dramatics, and what may be loosely referred to as ‘broken field running’. The proportions of each are unknown, nor indeed are they fixed”.5

Some of the important definitions of collective bargaining are given below.

According to the Encyclopaedia of Social Sciences, “collective bargaining is a process of discussion and, negotiation between two parties, one or both of whom is a group of persons acting in concert. The resulting bargain is an understanding as to the terms and conditions under which a continuing service is to be performed. More specifically, collective bargaining is a procedure by which employers and a group of employees agree upon the conditions of work”.6

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Richardson says, “Collective bargaining takes place when a number of work people enter into a negotiation as a bargaining unit with an employer of group of employers with the object of reaching an agreement on the conditions of the employment of the work people”.7

Cox defines collective bargaining as “the resolution of industrial problems between the representatives of employers and the freely designated representatives of employees acting collectively with a minimum of government dictation”.8

According to Selig Perlman: “Collective bargaining is not just a means of raising wages and improving conditions of employment. Nor is it merely democratic government in industry. It is, above all, a technique whereby an inferior social class or group exerts a never-slackening pressure for a bigger share in social sovereignty as well as for more welfare an greater security and liberty for its members. It manifests itself actually in politics—legislation, court litigation, government administration, religion, education and propaganda”.9

In sum, collective bargaining may be defined as a process of negotiation and other related pressure tactics (like threats, counter-threats) adopted by the employers and the organized workers represented by their union in order to determine the terms and conditions of employment. In other words, it is a technique adopted by the organizations of workers and employers collectively to resolve their existing of future differences with or without the assistance of a third party. Its ultimate aim is to reach some settlement acceptable to both the parties involved.

From the concept of collective bargaining, a few important facts pertaining to its nature become clear. These are:

• It is carried out on a collective as distinct from an individual basis.
• In the bargaining process, the main actors are employers and their associations.

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The object of collective bargaining is to reach an agreement by specifying the rules pertaining to employment relationship.

The main focus of these rules is on the terms and conditions of employment.

Collective bargaining is a “civilized bipartite confrontation” between the workers and management because the object is not ‘warfare’ but ‘compromise’.

It is both a *device* and a *procedure* used by wage earners to safeguard their interests: it is an *institution* or *instrument* of an industrial organization for discussion and negotiations between the two parties.

It is, moreover, a *technique* by which an attempt is made to reconcile the needs and objectives of workers and employers and is, therefore, an integral part of an industrial society.

**Characteristics of Collective Bargaining**

The characteristics of collective bargaining as observed from the analysis of the definitions of collective bargaining are:

i) It is a group or collective action as opposed to individual actions and is initiated through the representatives of employees.

ii) It is flexible and not static.

iii) It is a two way process. It is mutual give and take rather than just takes it method of arriving at a solution to a dispute. It is successful only when two parties participate in collective bargaining seriously and with an approach of give and take.

iv) It is a continuous process, which proves a mechanism for regular negotiations and discussions for a continuous sound relationship between labour and management. It facilitates to arrive at an amicable solution to the problems at all stages including the stage of strike and other forms of agitations.
v) It is dynamic and not static, as this concept is growing, expanding and changing in view of attitudes, opinions and perceptions of both the parties.

vi) It ensures democracy at work-place.

vii) It is not a competitive process but essentially a complementary process.

viii) It is an art as it is an advanced form of understanding and maintaining human relations.

ix) It is a voluntary process. Both workers and management voluntarily participate in the negotiations, discuss and arrive at a solution.

x) The unique feature of Collective Bargaining, is that usually the parties concerned start negotiations with entirely divergent interests and reach a middle point acceptable to both. For example, the union may start negotiations with a demand to increase wages at par with that of production and management rejecting any raise. At the end of the process both the parties may agree for a raise in wages to a certain percentage of total increase in production.

Essential Conditions for the Success of Collective Bargaining

i) Constructive consultation between trade union and management is possible only when the bargaining power of two parties is relatively equal and is exercised with responsibility and discrimination.  

ii) Two parties of collective bargaining accept the principle of ‘free consultation’ and ‘free enterprise’ consistent with the advancement of public interest.

iii) The willing acceptance by management to recognize representative union for this purpose.

iv) Both the parties must have mutual confidence, good faith and a desire to make collective bargaining machinery a success.

v) Management should not wait for the union to raise problems, but should
make every reasonable effort not to provide them any opportunity to raise demands.

vi) An emphasis upon a problem solving approach with deemphasis upon excessive legalism.

vii) Dispose of the issues in the same meeting and minimize of the pending items.

viii) Desire of the management to settle the issues to the satisfaction of employees. This does not mean that management must relinquish its right to direct the company or that it must accede to all union demands.

ix) Unions must understand the economic implications of collective bargaining and realize that union demands must be met from the income and resources of the organization.

x) Both the parties should respect the rights and responsibilities of each other.

xi) The process of bargaining should be free from unfair practices.

xii) *Unanimity among workers:* Before entering into negotiations, there must be unanimity among workers. At least the representatives of workers should be able to represent the opinion or demands of majority of workers.

xiii) The attitudes of the parties (involved) should be positive. Both the parties should reach the negotiating table with an intention to find better solutions.

xiv) The parties involved in collective bargaining should be prepared to give away something in order to gain something.

xv) Both the parties to collective bargaining should observe and follow the terms and conditions of previous agreements that are reached. Collective Bargaining, being a continuous process, can be effective only with the
successful implementation of previous agreements. Any lapse on the part of any party concerned shows its impact on present process.

xvi) The representatives of both the parties should fully understand and be clear about the problems and their implications.

xvii) The workers can make effective use of collective process to achieve participative management and good working conditions. They should not confine collective bargaining for mere monetary benefits.

Principles of Collective Bargaining

Arnold F. Campo has laid down certain essential general principles of collective bargaining.\(^\text{12}\) There are:

**For Union and Management**

i) Collective bargaining should be made an educational as well as a bargaining process. It should offer to trade union leaders an opportunity to present to the management the wants, the desires, the grievances and the attitudes of its employees, and make it possible for the management to explain to union leaders and, through them, to its employees, the economic problems which confront it.

ii) The management and the trade union must look upon collective bargaining as a means of finding the best possible solution, and not as a means of acquiring as much as one can while conceding the minimum. There must be an honest attempt at solving a problem rather than at a compromise.

iii) Both the parties to a dispute should command the respect of each other and should have enough bargaining power to enforce the terms of the agreement that may be arrived at.

iv) There must be mutual confidence, good faith, and a desire to make collective bargaining effective in practice.

v) There should be an honest, able and responsible leadership, for only this
kind of leadership will make collective bargaining effective and meaningful.

vi) The two parties should meticulously observe and abide by all the national and state laws which are applicable to collective bargaining.

vii) Both the parties must bear in mind the fact that collective bargaining is, in a sense, a form of price fixation and that any successful collective bargaining depends, in the last analysis, on whether the management and the trade union do a good job of ensuring that the price of labour is properly adjusted to other prices.

**For the Management**

i) The management must develop and consistently follow a realistic labour policy, which should be accepted and implemented by all its representatives.

ii) In order to ensure that the trade union feels that its position in the organization or factory is secure, the management must grant recognition to it without any reservations and accept as a constructive force in the organization and the industry.

iii) The management should not assume that employee goodwill will always be there for it. It should periodically examine the rules and regulations by which is labour force is governed. In this way, it will be able to determine the attitudes of its employees, promote their comfort, and gain their goodwill and cooperation.

iv) The management should act upon the assumption that, in order to make the trade union a responsible and conservative body, it is essential that it should be fairly treated. It should, moreover, establish such a satisfactory relationship with the trade union and its representatives that the latter will not lightly do anything that is capable of jeopardizing that relationship.

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v) The management should not wait for the trade union to bring employee grievances to its notice but should rather create the conditions in which the trade union will not do so, and should settle the grievances of the employees even before the trade union brings them to the notice of the management.

vi) The management should deal with only one trade union in the organization. If two trade unions seek recognition, no negotiations should be undertaken till one of them establishes the fact of having a majority of the membership of the employees in its organization.

vii) While weighing the economic consequences of collective bargaining, the management should place greater emphasis on social considerations.

*For the Trade Union*

i) In view of the rights granted to organized labour, it is essential that trade unions should eliminate racketeering and other undemocratic practices within their own organizations.

ii) Trade union leaders should not imagine that their only function is to secure higher wages for their members, and shorter hours of work and better working conditions for them. They and their members have an obligation to assist the management in the elimination of waste and in improving the quality and quantity of production.

iii) Trade union leaders should appreciate the economic implications of collective bargaining, for their demands are generally met from the income and resources of the organization in which their members are employed.

iv) Trade union leaders should assist in the removal of such restrictive rules and regulations as are likely to increase costs and prices, reduce the amount that can be paid out as wages, and tend to make for low employment and in the long-run lower the standard of living of all sections of society.

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v) Trade unions should resort to strikes only when all other methods of settling dispute have failed to bring about satisfactory results.

**Content and Coverage of a Collective Bargaining Agreement**

There is no standard specification of what should be included in a contract and what should not be included, although certain issues are often sought to be excluded from collective bargaining and retained for discussion and disposal by the management. Taylor observes: “The essence of free collective bargaining is that the scope of the relationship, the procedures for negotiation and joint dealing, and the substantive terms of employment are all private matters to be worked out by unions and management without government interference or direction”.13

The scope of collective bargaining has increased tremendously in recent years, and many new subjects have been included in it.

Randle adds: “The expansion in the scope of collective bargaining has been due to various factors, namely:

i) “The growing strength of the unions which have pressurized managements to include new subjects in the agreements;

ii) Increased profits have led to a favourable response to the demands of the employees;

iii) Increased prices along with increased production have contributed to expansion in the subjects for collective bargaining;

iv) The liberal and sympathetic attitude evident in the decisions of the courts and legislative enactments have also favoured this expansion”.14

As the bargaining relationship matures and the two parties grow in mutual trust and confidence, the agreement acts as a framework for peacefully settling day-to-day disputes. And when new contracts are negotiated, additional subjects are brought under collective bargaining.
Contract provisions may be divided into four categories: union security, worker security, economic factors, and management protection.\textsuperscript{15}

The contract, in the first section, contains the names of the parties to the contract, which recognizes the union as the representative of the employees. Then it contains a \textit{union security} clause, which means the extent to which the contract protects the union in holding its membership. The union security clause may vary from mere recognition at one extreme to the ‘closed shop’ at the other. In many contracts, a “check-off” clause is also included, which requires the employer to deduct the union dues from the employee’s pay and forward them directly to the union. The \textit{worker security} clause provides for seniority protection, covering promotion, job assignment, and lay-off. \textit{Economic items} include wages, hours of work, working rules, fringe benefits. The contract often includes clauses, which offer prerogatives to the management, that is, the right of the management to make decisions without first conferring with the union. The management exercises unilateral authority within the area covered by the prerogatives; the other decisions must be jointly made with the union. In some cases, the provisions state that all things not covered by the contract are reserved for management authority. In other cases, the provisions spell out the areas in which decisions may be made by the management without first conferring with the union. For example, the following may be specifically reserved: number of employees, nature of goods to be produced, price of final product, location of new plants, dividend policy, accounting and financial techniques, etc. In other areas, the management may initiate action; but the contract grants the union the right to file a grievance if it believes the action is unjust. Typical areas in which prerogatives are exercised in this fashion are: scheduling production, introducing new production methods, and setting pay scales for new jobs. Lastly, it includes the clause regulating the procedures of union-management relations and the grievance procedure. Although not always done, it is better to definitely state the duration of the agreement in one of its clauses.
The Indian Institute of Personnel Management, Calcutta, suggests that the following should be included in a collective agreement.16

i) The purpose of the agreement, its scope, and the definition of important terms;

ii) The rights and responsibilities of the management and of the trade union;

iii) Wages, bonus, production norms, leave, retiring benefits, and other benefits and terms and conditions of service;

iv) Grievance redressal procedure;

v) Methods of, and machinery for, the settlement of possible future disputes; and

vi) A termination clause.

A cursory glance at the agreement reveals that the issues covered under agreements can be grouped in three categories: viz.

a) employment and working conditions;

b) labour welfare, labour recruitment and management matters; and

c) organizational matters.

The first two which cover wages, bonus, D.A., retirement benefits, working hours, holidays with leave, supply of subsidized items like food, transport, housing, etc., are worker-interest oriented.

The last category comprising union recognition, exclusive bargaining rights, check-off schemes, workers’ participation in management, etc., are union: interest oriented matters.

Some conflict of interest may apparently be involved in these categories but in the final analysis gains of the union may reinforce the gains of workers. Similarly, gains which satisfy the current worker-oriented demands may strengthen the union by promoting worker-loyalty.
It should, however, be noted that the issues of negotiation and agreement through collective bargaining include not only wage rates, but also terms and methods of compensation for overtime work and allowances for dead work; hours of work and the number of paid holidays; call-in-pay, paid sick leave; production norms, technical practices, standards of performance to test the competence of workers; allowance for fatigue; hiring, firing, promotion, layoff, dismissal and retrenchment; rationalization, productivity and participation in trade union activities; the workers’ rights and privileges; recognition of trade unions; employment injuries, i.e., measures to be taken for the protection of the life and limbs of employee bonus for dangerous and unhealthy work; pension; disciplinary proceedings, grievance procedure, workers’ participation in management; gratuity and provident fund; the right of the management to discipline workers; ways of handling materials; fines for infraction of rules; trade union security; machinery for the settlement of disputes; and many more subjects. Managements and trade unions sometimes cooperate with each other in developing a job evaluation system which facilitates the fixing of wage rates in an undertaking for different categories of workers on the basis of the duties performed by them. In the United States, Sweden and Italy, collective bargaining provides for consultation with the representatives of workers prior to the introduction of new production methods or prior to collective dismissals effected for economic considerations.17

It is obvious from the foregoing discussion that collective bargaining covers negotiation, administration, interpretation and application of written agreements between employers and trade unions representing the employees, and indicates the policies and procedures which shall given the determination and/or fixation of wages, rates of pay, hours of work and other conditions of employment.

Forms of Collective Bargaining

There is a great deal of variation in collective bargaining practices ranging from an informal oral agreement to a very formal and detailed agreement. The
explanation of this variation is indicated in the words of Kennedy. “In a mixed private-public economy characterized by a great variety of industries, ranging from plantations to, electronics, technologies and managerial attitudes ranging from obsolete to very modern, and unevenly developed, politically divided but pre-dominantly weak labour movement and a framework of policy that does little to mould orderly relations, it stands to reason that union-employer relations will also show large variation in kind and quality”.

Further, what is alarming is not so much the diversity in collective bargaining practices as the underdeveloped nature of the collective bargaining process. The spirit of give-and-take and a sense of mutuality and trust should underlie the bargaining process throughout its course. However, in practice, collective bargaining, by and large, follows only when confrontation takes place between the union and the management, making it appear as a form of conflict – a way to present workers’ demand and to obtain employer’s compliance with such demands. What is expected under a strict collective bargaining situation is the starting of negotiations before or immediately after the expiry of the contract agreement. But, in most cases, negotiations start after a labour relations situation has developed. Moreover; collective bargaining has emerged as part of the struggle against employers. However, broadly speaking, collective bargaining may assume the following forms:

1) *It may be a single plant bargaining*, that is, bargaining may be between management and a single trade union. This type of collective bargaining prevails in the United States and India.

2) *It may be a multiple plant bargaining*, that is, bargaining may be between a single factory or establishment having several plants and the workers employed in all these plants.

3) *It may be a multiple employer bargaining*, that is, bargaining between all the trade unions of workers in the same industry through their federal organizations and the employers’ federation. This is possible both at the local and regional levels and is generally resorted to in the textile industry.
In India, collective bargaining has been classified under four categories.
These are:

i) Agreements which are negotiated by officers during the course of conciliation proceedings and are called settlements under the Industrial Disputes Act, 1947.

ii) Agreements which are concluded by the parties themselves without reference to a Board of Conciliation and are signed by them. Copies of such agreements, however, are sent to appropriate governments and to conciliation officers.

iii) Agreements which are negotiated by the parties on a voluntary basis when disputes are *sub judice* and which are later submitted to industrial tribunals, labour courts or labour arbitrators for incorporation into the documents as parts of awards. These are known as consent awards.

iv) Agreements which are drawn up after direct negotiation between labour and management and are purely voluntary in character. These depend for their enforcement on moral force and on the good will and cooperation of the parties.

**Functions of Collective Bargaining**

Collective bargaining plays an important role in preventing industrial disputes, settling industrial disputes and maintaining industrial peace by performing the following functions:

i) Increase the economic strength of employees and management.

ii) Establish uniform conditions of employment.

iii) Secure a prompt and fair redressal of grievances.

iv) Lay down fair rates of wages and other norms of working conditions.

v) Achieve an efficient functioning of the organization.

vi) Promote the stability and prosperity of the company.
vii) It provides a method of the regulation of the conditions of employment of those who are directly concerned about them.

viii) It provides a solution to the problem of sickness in industry, and ensures old age pension benefits and other fringe benefits.

ix) It creates new and varied procedures for the solution of the problems as and when they arise – problems which vex industrial relations; and its form can be adjusted to meet new situations.

x) It provides a flexible means for the adjustment of wages and employment conditions to economic and technological changes in the industry, as a result of which the changes for conflicts are reduced.

xi) As a vehicle of industrial peace, collective bargaining has no equal. It is the most important and significant aspect of labour-management relations, and extends the democratic principle from the-political to the industrial field.

xii) It builds up a system of industrial jurisprudence by introducing civil rights in industry. In other words, it ensures that management is conducted by rules rather than by arbitrary decisions.\(^\text{18}\)

Prof. Dunlop\(^\text{19}\) is of the opinion that collective bargaining is:

i) a system which establishes, revises and administers many of the rules which govern the workers’ place of work;

ii) a procedure which determines the quantum of compensation which employees should receive and which influences the distribution of economic ills; and

iii) a method of settling disputes during the pendency of an agreement and of determining, after its expiry, whether a dispute should be reopened and whether a strike or a lockout should be resorted to or not.
Collective Bargaining Process

There are two stages in collective bargaining, viz., (i) the negotiation stage and (ii) the stage of contract administration.

(i) Negotiation

(a) Identification of Problem: The nature of the problem influences whole process. Whereas the problem is very important that is to be discussed immediately or it can be postponed for some other convenient time, whether the problem is minor that it can be solved with the other party’s acceptance on its presentation and does not need to involve long process of collective bargaining process etc. It also influences selection of representatives, their size, period of negotiations and period of agreement that is reached ultimately. As such it is important for both the parties to be clear about the problem before entering into the negotiations.

(b) Preparing for Negotiations: When it becomes necessary to solve the problem through collective bargaining process, both the parties prepare themselves for negotiations. The preparation starts with selection of representatives. Such representatives should be selected who can carry out negotiations with patience, composure and who can present their views effectively. After selection they should be fed with complete problem and its pros and cons. His powers and authority during negotiations also should be clearly spelt out. Other preparations include fixing up time for negotiations, period of negotiations etc. But once the parties enter into negotiations the period of negotiations may vary depending upon circumstances.

(c) Negotiations of Agreement: Usually there will be a chief negotiator who is from management side. He directs and presides the process. The chief negotiator presents the problem, its intensity and nature and the views of both the parties. Then he allows the representatives of both the parties to present their views. During negotiations, the representatives should be attentive as to find out what the other party is arguing for. The representatives tend to think
about what counter arguments they can present and how to say ‘no’ effectively, while the other party is presenting its own views. This is a major obstacle in the bargaining process. The representative should be attentive to the other parties’ problems. So, it is important that representatives should reach negotiating table with positive attitudes.

If, in spite of all these efforts, no amicable solution could be reached, both the parties resorts to arbitration.

Arnold Campo\(^2\) suggests that the following procedure should be adopted in negotiation:

**For Union and Management**

- **a)** Be friendly in negotiation. Introduce everybody. Relieve the existing tension.
- **b)** Be willing to listen. There would be time enough for you to worry about things and say “No” after you have heard all the facts.
- **c)** Give everyone an opportunity to state his position and point of view. In this way, you will uncover the person who is really insistent about a particular problem or grievance, and know how to deal with him.
- **d)** Know something about the personal history of the other party’s representatives.
- **e)** Always bear in mind the fact you have to do what is right and fair.
- **f)** Both parties should strive to maintain an objective approach to a problem or a grievance. They should think rather than feel their way through a problem.
- **g)** Don’t attempt to guide the discussion along a straight line which goes straight to the solution of the problem. Let it wander at times; don’t hurry it.
- **h)** Don’t let the negotiations reach the stage of stalemate. Help to define

\(^{20}\)
the problem and suggest a solution. Ultimatums are out of place at the negotiation table.

i) If facts disclose that there is a need for doing more than just solving the immediate problem, go as far as justified in the circumstances.

j) Define each issue clearly and unambiguously, and discuss it in the light of all the available facts.

k) Avoid the insertion of specific regulations or details in the contrast to ensure greater flexibility.

l) Search for the correct solution at all times.

m) Keep the membership of the conference as small as possible. Small groups facilitate successful negotiations.

n) Avoid sharp practices.

o) The length of session should be determined by the fatigue, physical or mental; it generates among the members at the conference table.

p) Have a committee of employees present during the negotiations for this would be highly advantageous and would be very practical, particularly, if the bargaining unit is a single establishment.

q) The terms which are agreed upon should be put down in writing and the parties should sign the document without any mental reservations. The phrasing of the contract should be precise and realistic but not legalistic.

r) Arbitration should not be resorted to except in cases in which negotiations fall utterly or the parties are unable to arrive at any agreement.

s) Both the parties should, at all times, respect the rights of the public.

**For Management**

a) The management must, at the outset, make sure that the labour leaders, it is going to negotiate with, are really the representatives of the workers.
b) Don’t use lawyers as negotiators unless they have intimate knowledge of industrial relations.

c) Don’t limit contracts with the union to controversial subjects, but consider also such matters as are of common interest to both.

(ii) Contract Administration

Implementation of the contract is as important as making a contract. Management usually distributes the printed contract, its terms and conditions throughout organization. The union takes steps to see that all the workers understand the contract and implement it. From time to time, depending upon changing circumstances, both the parties can make mutually acceptable amendments:

(a) Renewal of Agreement: The agreement can be made on a temporary basis. In such cases, before its expiry both parties consult each other and can terminate or renew the agreement depending upon the circumstances. The Union may always demand for the renewal of such agreements which benefit workers before their expiry. Management on the other hand, may reject this demand taking the financial position of the organization into consideration. As a result this may again lead to negotiations. As such, collective bargaining is not a temporary accommodation, but it is a continuous process.

(b) Content of Collective Agreement: There is no standard specification of the scope of collective agreement. However, certain issues are often sought to be excluded from the agreement. But the scope has increased tremendously in recent times. Contract provisions may be divided into four categories, viz., union security, worker security, economic factors and management protection.21

The Indian Institute of Personnel Management22, Calcutta, suggests that the following should be included in a collective agreement:

i) The purpose of the agreement, its scope and the definition of important terms;
ii) The rights and responsibilities of the management and of the trade union;

iii) Wages, bonus, production norms, leave, retiring benefits, and other benefits and terms and conditions of service;

iv) Grievance redressal procedure;

v) Methods of and machinery for the settlement of possible future disputes;

vi) A termination clause.

**Collective Bargaining in the Indian Context**

The system of collective bargaining was introduced in the industrial relations machinery in India after World War II in 1950, when “Indian industry faced certain problem of modernization. Since then, the system has spread to most prominent sectors of our economy. The new industry groups - Engineering, chemicals, etc. with a higher degree of professionalisation in management have developed collective bargaining practices to build stable relation with labour. Still, collective bargaining as an institution is yet to mature and become stabilized in India. The blame for the slow progress of the system lies with the two parties and with the government. Employers/managements have not shown any enthusiasm or initiative in developing stable relations with labour. They have been reluctant to settle issues with the labour through the process of collective bargaining. It has been customary to blame trade unions for their multiplicity and fragmented character, which have been the main obstacles in evolving arrangement for their recognition by employers. The absence of any arrangement for trade union recognition by employers as a causal factor for industrial conflict has been clearly expressed by the National Commission on Labour which observes “Except for the industrial relations legislation in some states where arrangements for recognition of unions exist (like the BIR Act in Maharashtra), there is no provision for statutory recognition of trade unions for the country.
as a whole. Neither are there any provisions which require employers and workers to bargain in “good faith”. It is, therefore, no surprise that collective agreements have not made much headway in the country so far”. In the absence of a statutory provision for the recognition of trade unions, the code of Discipline adopted by Indian industry in 1958 has facilitated the practice of collective bargaining in the country, for the code places a moral obligation on employers to grant recognition to trade unions as bargaining agents under certain qualifying conditions.

The practice of industry-wise bargaining prevails in the cotton textile industry in Bombay and Tamil Nadu; in jute textiles and in the plantation industry in Karnataka, Tamil Nadu and W. Bengal. In most other industries, particularly in modern industry groups, collective agreements are entered into at the plant or enterprise level. In the services sector in banking and insurance, for example negotiations take place between the representative bodies operating at the all India level and collective agreements are made applicable to the relevant groups in the nation as a whole.

Initially, in England, bargaining rights were exercised separately by the workers of different occupations, and skills. In India, this tendency still prevails among some highly skilled occupations, say in aviation, health services, etc. However, collective agreements are mostly reached between the employer and the workers, irrespective of their differences in skill. A study of collective agreements conducted by the Employers’ Federation of India in late 1960s revealed that four industries - chemicals, engineering, aluminum and petroleum - accounted for over 62 percent of the total collective agreements under study. The following table indicates the variety of subjects included in collective agreements and their relative significance. The total of 109 agreements, only 31 were comprehensive in character, the remaining dealt with one or more specific subjects.
Table 1

<table>
<thead>
<tr>
<th>Subject</th>
<th>No. of Agreements</th>
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<tbody>
<tr>
<td>Wages</td>
<td>96</td>
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<tr>
<td>D.A.</td>
<td>59</td>
</tr>
<tr>
<td>Tiffin Allowance</td>
<td>20</td>
</tr>
<tr>
<td>Canteen</td>
<td>19</td>
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<tr>
<td>Retirement Benefits</td>
<td>53</td>
</tr>
<tr>
<td>Bonus</td>
<td>50</td>
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<tr>
<td>Annual Leave</td>
<td>40</td>
</tr>
<tr>
<td>Paid Holidays</td>
<td>36</td>
</tr>
<tr>
<td>Casual Leave</td>
<td>26</td>
</tr>
<tr>
<td>Overtime</td>
<td>25</td>
</tr>
<tr>
<td>Incentives</td>
<td>23</td>
</tr>
<tr>
<td>Shift Allowance</td>
<td>22</td>
</tr>
<tr>
<td>Acting Allowance</td>
<td>22</td>
</tr>
<tr>
<td>Medical Benefit</td>
<td>19</td>
</tr>
</tbody>
</table>

Of these 109 agreements, 28 were collective agreements (25 per cent), 79 settlements (72 per cent) and only 2 were consent awards. The industrial Disputes Act, 1947, as amended in 1956, makes settlements reached before Boards binding on all the parties summoned to appear in the proceedings. The agreements reached outside the purview of Conciliation Boards are registered under Section 18 and/or Section 2(P) of the Industrial Disputes Act, 1947. The predominance of the settlements shows that the parties prefer to seek the intervention of government agencies in reaching and enforcing collective agreements. In other words, it shows lack of faith and trust between the two parties.

The issues arising out of, or relating to collective bargaining in India are:

i) Inadequate arrangement for the recognition of the majority union as the sole bargaining agent;
ii) The threat of confrontation and work stoppages associated with relatively free collective bargaining; and

iii) A reasonable degree of involvement by the government as a third parties in bipartite decision-making.

There is no provision at the national level for a statutory recognition of trade unions by employers/managements. Provisions with moral sanctions have been incorporated in the code of discipline. In this regard, the problems arise out of

a) The mode of ascertaining the majority status of a trade union; and

b) Grant of exclusive bargaining rights to the majority union.

Employers/managements and trade unions in India have not shown a preference for responsible, free and direct relationships by way of voluntary agreements through collective bargaining. They prefer third party intervention. A climate of suspicion and mistrust prevails among them and generates a fear of confrontation. The involvement of the government may be beneficial if it functions as an agency fostering bipartite relations by creating a framework of mutual rights and obligations. This involvement in the conduct of collective bargaining in India has been prompted by the fear of confrontation resulting in work stoppages, and has brought about conditions in which the statutory mechanism operates in preference to the establishment of a mutual voluntary relationship which can make collective bargaining a stable institution for the resolution of conflicts.

Causes for the Limited Success of Collective Bargaining in India

Though, it is argued that collective bargaining has grown in India due to the statutory provisions, voluntary measures, Industrial Truce Resolution of 1962 and the amendments to the Industrial Disputes Act 1947, its success is limited. The causes for its limited success are:

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(1) **Problems with Unions:** Collective Bargaining process mainly depends on the strength of Unions. But still there are not many strong unions in India. Indian unions are marked with multiplicity, inter and intra-union rivalry, weak financial position and non-recognition. Weak trade unions cannot initiate strong arguments during negotiations. There is usually no unanimous decision among workers to be presented at the negotiating table.

(2) **Problems from Government:** The Government has not been making any strong effects for the development of Collective Bargaining. The Government has imposed many restrictions regarding strikes and lockouts, which is an obstacle for the development of collective bargaining process.

(3) **Legal Problems:** Now adjudication is easily accessible. As such now collective bargaining process is losing its importance.

(4) **Political Interference:** Interference of political leaders in all aspects of union matters has increased over the years. Almost all unions are associating themselves with some political party or the other. And there are many such unions. To protect their own unions, all political parties interfere into the matters, creating inter union rivalries.

(5) **Attitude of Management:** In India managements have negative attitude towards Unions. They do not appreciate their workers joining unions. As strong unions are a must for collective bargaining process this attitude of management hampers the process.

**Pre-requisites of Successful Collective Bargaining**

If collective bargaining is to be generally adopted in the country, the following facts must be recognized:

i) There must be a change in the attitude of employers and employees. They should realize that the collective bargaining approach does not imply litigation, as it does under adjudication. It is an approach which
indicates that the two parties are determined to resolve their differences in their respective claims in a peaceful manner, relying only on their own strength and resources; they do not look to a third party for the solution of their problems.

ii) Collective bargaining is best conducted at plant level. The bargaining agents of both the parties should be determined to arrive at an agreed solution of their respective problems. The employers should be represented by the management and the workers by their trade union. Both should know which one is the recognized union, in case there is more than one in a plant; and this union, recognized in the proper manner, should be the sole bargaining agent of all the workers in an organization.

iii) Employers and employees should enter upon negotiations on points of difference or on demands with a view to reaching an agreement. The trade union should not make or put forward unreasonable demands. Any refusal to negotiate on the part of either side should be looked upon as an unfair practice. Rigid attitudes are out of place in a collective bargaining system.

iv) Negotiations can be successful only when the parties rely on facts and figures to support their respective points of view. The trade union should be assisted by such specialists as economists, productivity experts and professionals, so that their case is properly presented to the representatives of the management. In order to bring this to pass, the organizational set up of a trade union will have to be changed; and the latter should adopt a constructive approach at the bargaining table rather than the present agitational or litigation-oriented approach.

v) To ensure that collective bargaining functions properly, unfair labour practices should be avoided and abandoned by both sides. The negotiations between the management and the recognized trade union will then be
conducted in an atmosphere of goodwill, which will not be vitiated by malpractices, and neither side would take advantage of the other by resorting to unfair practices.

vi) When negotiations result in an agreement, the terms of the contract should be put down in writing and embodied in a document. When no agreement is reached, the parties should agree to conciliation, mediation or arbitration. If no settlement is arrived at even then, the workers should be free to go on a strike, and the employers should be at liberty to declare a lock-out. To restrict this right is to inhibit and defeat the very process of collective bargaining.

vii) Once an agreement is reached, it must be honoured and fairly implemented. No strike or lock-out should be permitted in respect of issues which have already been covered in the contract; and the trade union should not be allowed to raise fresh demands.

viii) A provision for arbitration should be incorporated in the agreement, which should become operative when there is any disagreement on the interpretation of its terms and conditions. The disputes arising out of the agreement should be referred to an agreed third party with a view to arriving at a final and binding decision.

**Recommendations of the National Commission of Labour for Successful Functioning of Collective Bargaining**

National Commission of Labour in 1969 made the following recommendations after considering the problem.23

a) Government intervention in Industrial relations particularly in the settlement of industrial disputes, should be reduced gradually to the minimum possible extent. Compulsory adjudication of disputes should be used only as a last resort.
b) Trade unions should be strengthened both organizationally and financially by amending the Trade Union Act of 1926 to make registration of unions compulsory, enhance the union membership fee, reduce the presence of outsiders in the union executive and among the office-bearers and increase the minimum number of members in respect of union applying for registration.

c) Legal provision may be made either by a separate legislation or by amending an existing enactment for:

1. Compulsory recognition of trade unions and certification of unions as bargaining agents.
2. Prohibition and penalization of unfair labour practices.
3. Bargaining in good faith by both employers and unions.

Case: Grievance Procedure Vs. Collective Bargaining

The Andhra Pradesh State Road Transport Corporation has been providing passenger transportation facilities since 1956. It has been extending its operation from one region to another by nationalizing the private passenger transport companies on a phased manner. Presently it is operating its services in 80% of the routes in the State. It nationalized two routes in East Godavari District in the State in October 1988. Normally it absorbs all the employees working in passenger transport companies before nationalization and fix their wages at par with the scales of similar categories of jobs.

The pay scales in the corporation are determined on the basis of mutual agreement between the management and the recognized trade union. The scales are revised once in three years. The recent agreement came into force with effect from September 1988. There are two classes in the drivers category, i.e., Class I (drivers working on long distance buses) and Class II (drivers
working in short distance routes). The pay scale of Class II drivers is enhanced from Rs.600-1200 to Rs.900-1600 (with effect from September 1988) in consequence to the latest agreement. The agreement further says that the pay scales of the drivers drawing the scale of Rs.600-1200 will be fixed in the scale of Rs.900-1600.

The corporation absorbed 10 drivers who were with the private passenger transport companies upon the recent nationalization of two routes. The personal department fixed the scale of these 10 drivers in the scale of Rs.600-1200 and it rejected their plea of fixing their pay in the scale of Rs.900-1600 saying that only the drivers drawing the scale of Rs.600-1200 are now eligible to draw the new scale of Rs.900-1600. The corporation has set up both the grievance machinery and the collective bargaining machinery to resolve employee problems. Then these drivers submitted this issue to the foreman who is their immediate superior. The foreman told them to raise this issue in collective bargaining with the help of trade union leaders as it is a policy issue. These drivers approached the trade union leaders and persuaded them to solve the issue. The trade union leaders included this item in the draft agenda to the collective bargaining committee to be held in January 1989. But the collective bargaining committee deleted this item from the draft agenda saying that this issue can be settled through grievance machinery as only 10 drivers out of 3,000 drivers of the corporation are concerned with this issue.

**Conclusion**

Not only is there little genuine voluntary collective bargaining in Indian industry, but that little is at an early stage of development. Whatever collective bargaining emerged initially has been purely a matter between the plant level union and the plant management. The negotiations either at the state or at the industry level have not been frequent. Collective bargaining has not decentralized beyond the plant level because, the absence of crafts unions. There are three important reasons why collective bargaining has not gone beyond the plant level:

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a) the varying sizes of the plants/firms and the consequent dissimilarities in products/productivity and technologies which do not permit uniform employment conditions;

b) the absence of a homogeneous labour market owing to lack of uniform skills and patterns of training which do not promote free mobility of labour so that uniform employment conditions might be evolved for the industry as a whole; and

c) plant union leadership which at present enjoys enormous powers and faces prospects of a political climb is reluctant to get integrated into an industry-wise union where its powers are likely to be restricted.

References


LESSON : 15

WORKERS’ PARTICIPATION IN MANAGEMENT

Concept

Workers’ participation in management has been given several meanings and it has varied facets in practice. For example, management interprets it as the joint consultation prior to decision-making; workers take it as equivalent to co-decisions and experts practically regard it as association of labour without the final authority or responsibility in decision-making. However, without considering these various shades of the term, it is used here as a process of delegating authority and responsibility in the general arena of managerial functions. It is also considered as a forum for the communication and consultation (formal and informal) by which the employees are kept informed about the affairs of the concern and through which they (workers) put their opinion, suggestions etc. to contribute to management decisions.

A scheme of workers’ participation in management is devised to ensure effective consultation with workers on points, which ultimately concern them. The notion make the workers’ feel that they have better understanding of the industrial process in which they take part and gives them a sense of direct participation in industrial decisions. The workers must be increasingly associated with the management of industrial undertakings so that they develop an awareness of the problems of industry and begin to feel that they have a positive contribution towards the goal of business organization. The principle of participation seeks to meet the psychological needs of the workers, brings them closer to the management, promotes their interest in self-education, gives them an insight into the economic and technical conditions and the purpose of the undertaking where they work and serves to bridge the gulf between the management and the workers.

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We may define workers’ participation as a system of communication and consultation, either formal or informal, by which employees of an organization are kept informed about the affairs of the undertaking and through which they express their opinion and contribute to management decisions. It is a distribution of social power in industry so that it tends to be shared among all who are engaged in the work rather than concentrated in the hands of a minority. It is industrial democracy in action based on the principles of equity, equality and voluntarism. It gives to the employees’ representatives the right to criticize, to offer constructive suggestions, and to become aware to the pros and cons of the decisions made.

In other words:

• The participation enhances employees ability to influence, decision-making at different tiers of the organizational hierarchy with concomitant assumption of responsibility.

• The participation has to be at different levels of management: (i) at the shop level, (ii) at the department level, and (iii) at the shop floor level. The decision-making at these different levels would assume different patterns in regard to policy formulation and execution.

• The participation incorporates the willing acceptance of responsibilities by the body of workers. As they become a party to decision-making, the workers have to commit themselves to ensuring their implementation.

• The participation is conducted through the mechanism of forums and practices which provide for the association of workers’ representatives.

• The broad goal of participation is to change basically the organizational aspect of production and transfer the management function entirely to the workers so that management becomes “auto management”.

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Evaluation of the Concept

“From the very beginning of the modern industrial era, social thinkers were concerned with the problem of the status of workers in the factor, organization and society, and they wanted protection of workers against capitalist and managerial exploitation. They pleaded that workers should have as much power as the manages. Thinkers like Comte and Owen advocated the participation of workers in management for achieving distributive social justice. The radicals advocated drastic changes. They were opposed to private ownership of the means of production, concentration of wealth in a few hands and the capitalist controlled machinery of the state. Karl Marx strongly advocated complete control of the enterprise by workers and socialization of the means of production. He wanted trade unions to be developed as an alternative for industrial self-government. The syndicalists favoured public ownership of the means of production, but joint control by producers and consumers. The Guild Socialists were of the opinion that guilds of all classes of workers should control under a charter from the state”.

“Two other factors also influenced, besides the ideological attack from the radicals and the need for reforms in the capitalist system, the trend towards bringing about changes in the style of industrial management. First, the demands of continuous production during the two world wars prompted the managers to introduce such strategies as would ensure uninterrupted industrial activity. Second, the differentiation between management and entrepreneurs accelerated the pace of professionalization in industrial management. These two factors set the tone for a series of experiments in management”.

As time went on, it was found that complete control of industry by workers was neither feasible nor desirable, at least in political democracies where the representatives of the people had to curb the evils of capitalism,
statism and bureaucracy. Socialists like the Webbs and Cole were of the view that participation of workers in management would be sufficient to meet the needs of social justice. Thus, the main concern of ideologists in advocating workers’ participation in management was the sharing of a part of managerial power with workers.\(^2\) This type of thinking is referred to as an “ideological” view.

The human relations philosophy popularized by Elton Mayo \(et.al.\) underscored the importance of the human factor in organization. He pointed out: “Workers responded positively to a human approach compared to the use of punitive measures. Workers’ attitudes significantly influenced their performance. Man is not purely an economic animal but a member of the group sharing its norms and goals”.

Researches conducted at the Tavistock Institute, London, revealed that autonomous and cohesive work groups committed to the holistic task were more efficient and healthier than the work groups without cohesiveness and responsibility.

The growing realization of these facts led to the adoption of the Philadelphia Charter by the ILO in 1944. In this context, G.L. Nanda observed: “The scheme of workers’ participation is the culmination of a series of steps aimed at giving the workers a feeling of having a place of their own in the industrial and social structure of the country, ultimately providing a social base for building up the country’s industrial edifice”. This humanitarian approach to labour brought about a new set of values, both for the workers and employers; power has been replaced by persuasion, authoritarianism by democracy and compulsion by cooperation.

The employer’s realization of the need for workers’ participation in management was considerably influenced by the following factors:
i) The increased use of technology in industry which has necessitated the growing cooperation of workers because of the complex operations of production;

ii) The changed view that employees are no longer servants but are equal partners with their employers in their efforts to attain the goals of the enterprise;

iii) The growth of trade unions which safeguard the interests of workers and protect them against possible exploitation by their employers;

iv) The growing interest of the government in the development of industries and the welfare of workers; and

v) The need for increased and uninterrupted production which can be achieved only when there is a contented labour class.

It may therefore, be concluded that the concept of workers’ participation has its deep roots not only in political and social norms and in the ethos of our times but also in the empirical studies on human behaviour at work.

Objects of Workers’ Participation in Management

There are three objects of the scheme of workers’ participation in management – (1) Economic, (2) Social and (3) Psychological.

**(1) Economic Object:** The foremost object of workers’ participation is to increase the production and the productivity of the workers by improving the industrial and human relations in industry. The irrational or destructive attitude of workers is replaced by constructive and rational thinking. The system takes the ‘maximum economic welfare’ instead of ‘maximum profit’ as one of the motives of industrial production. Job satisfaction will bring about increased production and then higher profits to the industry.
(2) Social Object: The worker being a human being is a social being also. The purpose of this system is to get the workers a respectable status in the society. It is a great achievement for them. It assures the human dignity because they become a partner in the gains of productivity. It can be reflected in terms of maintaining healthy industrial relations by reducing industrial strifes and creating positive conditions in which industrial harmony and place can grow.

(3) Psychological Object: The main purpose of this system is to bring about a change in the attitude of the workers. Up till now, they regard themselves a machine only works when desired and asks for nothing. If workers are given due participation in management, they will think themselves pat and parcel of the unit. This sense of loyalty can only be promoted through the changing attitude of employers towards labour. This system will bring a basic change in the thinking of the workers. They shall put themselves in the production. Psychologically, workers will accept their responsibility in an activity because they feel themselves the partners in taking the decision on the matters concerning them and they will like to see it work successfully. Participation makes them a responsible employee.

Forms of Workers’ Participation in Management

The forms of workers’ participation in management vary from industry to industry and from country to country. The important forms are: LabourManagement Consultation and Cooperation, Joint Consultation and Model of Participation (U.K.), Union-Management Cooperation (USA), Codetermination Scheme (West Germany), Joint Management Plan, Joint Decision-Making Model, Workers’ Control Model, Self-Management or Auto Management Scheme.
Work Committees

The Industrial Disputes Act, 1949 provides for the setting up of works committees as a scheme of workers participation in management which consist of representatives of employers and employees. The Act provides for these bodies in every undertaking employing 100 or more workmen. The aim of setting up of these bodies is to promote measures for maintaining harmonious relations in the work place and to sort out differences of opinion in respect of matters of common interest to employers and employee. The Bombay Industrial Relations Act, 1946 also provides for these bodies, but under the provisions of this Act they can be set up only in units which have a recognized union and they are called joint committees. The workers directly elect their representatives where there is no union.

Functions

These works committees/Joint committees are consultative bodies. Their functions include discussion of conditions of work like lighting, ventilation, temperature, sanitation, etc., amenities like water supply for drinking purposes, provision of canteens, medical services, safe working conditions, administration of welfare funds, educational and recreational activities, and encouragement of thrift and savings. It shall be the duty of the works committee to promote measures for securing and preserving amity and good relations between the employers and workmen and to comment upon matters “of their common interest or concern and endeavour to reconcile” any material difference of opinion in respect of such matters.

Structure

The works committees have, as office bearers, a President, a VicePresident, a Secretary and a Joint Secretary. The President is a nominee
of the employer and the Vice-President is the workers’ representative. The tenure of these bodies is two years. The total strength of these bodies should not exceed 20. The employees’ representatives have to be chosen by the employees.

These committees functioned actively in some organizations like Tata Iron and Steel Company, Indian Aluminium Works at Belur, and Hindustan Lever. In all these, the managements have evolved joint committees independently of the statutory requirements.

**Joint Management Councils (JMCs)**

The Second Five Year Plan recommended the setting up of joint councils of management consisting of representatives of workers and management. The Government of India deputed a study group (1957) to study the schemes of worker’s participation in management in countries like U.K., France, Belgium and Yugoslavia. The report of the study group was considered by the Indian Labour Conference (ILC) in its 15th session in J 957 and it made certain recommendations:

1. That workers’ participation in management schemes should be set up in selected undertakings on a voluntary basis.

2. A sub-committee consisting of representatives of employers, workers and government should be set up for considering the details of workers’ participation in management schemes. This committee should select the undertakings where workers’ participation in management schemes would be introduced in the first stage on an experimental basis.

**Objectives**

The objectives of Joint Management Councils are as follows:

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i) To increase the association of employers and employee thereby promoting cordial industrial relations;

ii) To improve the operational efficiency of the workers;

iii) To provide welfare facilities to them;

iv) To educate workers so that they are well equipped to participate in these schemes; and

v) To satisfy the psychological needs of workers.

A tripartite sub-committee was set up as per the recommendations of Indian Labour Conference which laid down certain criteria for selection of enterprises where the JMCs could be introduced. They are:

i) The unit must have 500 or more employees,

ii) It should have a fair record of industrial relations;

iii) It should have a well organized trade union;

iv) The management and the workers should agree to establish JMCs; Employers (in case of private sector) should be members of the leading employers’ organization; and

vi) Trade unions should be affiliated to one of the Central federations.

It was observed by the sub-committee that if the workers and employers mutually agree they can set up JMCs even if these conditions are not met.

The sub-committee also made recommendations regarding their composition, procedure for nominating workers’ representatives, the membership of JMCs, etc. The details of these aspects have to be worked out by the parties themselves. A draft model was drawn up regarding the establishment
of JMCs. The sub-committee was later reconstituted as the “Committee on Labour-Management Cooperation” to advise on all matters pertaining to the Scheme.

Functions

The following are the important functions of JMCs:

i) To be consulted on matters like standing orders, retrenchment, rationalization, closure, reduction of operations, etc.

ii) To receive information, to discuss and offer suggestions.

iii) To shoulder administrative responsibilities like maintaining welfare measures, safety measure, training schemes, working hours, payment of rewards.

The tripartite committee originally prepared a list of 50 enterprises and later the target was raised to 150 to introduce JMCs. It was found by 1966 that 124 JMCs were in existence. This number dropped to 80 in 1978 and a good number of these were not working. Some of the organizations which were successful with experiments of workers’ participation are Bharat Heavy Electricals Ltd. (BHEL), Tata Iron and Steel Company (TISCO), Indian Aluminium Company and Aluminium Industries of Kundara. TISCO agreed to establish a comprehensive scheme of joint consultation by an agreement with its units. Under this scheme a three-tier system of consultation was set up.

Workers’ Participation in Management Scheme of 1975

Government of India on 30th October, 1975, announced a scheme of workers’ participation in management which consisted of establishment of Joint Councils and Shop Councils as part of its 20 point economic programme.
The scheme envisages for the establishment of joint councils and shop councils in manufacturing and mining industries employing 500 or more employees in public, private and cooperative sectors.

**Joint Councils**

The joint councils are for the whole unit and its membership remains confined to those who are actually engaged in the organization. The tenure of the joint councils is for two years. The Chief Executive of the unit becomes its Chairman. Workers’ members of the council nominate the Vice-Chairman. The joint council appoints the Secretary. The Secretary is responsible for discharging the functions of the council. The functions of the joint councils are:

i) To fix productive norms for men and machines for the unit;

ii) To see that the production targets are achieved;

iii) To dispose matters which are undisposed by the shop councils;

iv) To maintain quality of the finished product;

v) To look after the general health and safety measures of the unit as a whole; and

vi) To maintain congenial industrial relations.

The joint councils will meet once in four months, but the periodicity of the meeting varies from unit to unit, it may, be once in a month, quarter, etc. The decision taken at the joint council meetings are by the process of consensus and the management shall implement the’ decisions within one month. The scheme was implemented by the major units of the central and state governments. The government enlarged the functions of the councils in 1976.

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Shop Councils

The shop council represents each department or a shop in an unit. Each shop council will consist of an equal number of representatives of employers and workers. The employers’ representatives will be nominated by the management and must consist of persons from within the unit concerned. The workers representative will be from among the workers of the department or shop concerned. The number of members of each council may be determined by the employers in consultation with the recognized union. The total number of members, however, may not generally exceed twelve.

The decisions of the shop council are to be taken on the basis of consensus but not by voting. Management has to implement the decisions within one month. The tenure of the shop council is for a period of two years. Members of the shop councils meet at least once in a month. Management nominates the Chairman at least once in a month. Management nominates the Chairman of the shop council whereas workers’ members of the council elect the Vice-Chairman of the council.

The functions of the shop council are:

i) To improve production, productivity and efficiency;

ii) To study problems of absenteeism, low productivity and suggest measures to reduce them;

iii) To look after safety measures and other physical working conditions;

iv) To improve welfare and health conditions of the shop; and

v) To ensure flow of communication between management and workers, especially with regard to matter of meeting production targets and production figures.

The number of shop councils to be established in an organization are
determined by the employer in consultation with the recognized trade unions/ workers of the organization. The decisions of a shop council which have a bearing on another shop will be referred to joint council for consideration and approval.

Levels of Participation

Participation is possible at all levels of management. It depends upon the nature of functions, the strength of the workers, and the attitudes of trade unions and the management. The areas and degrees may differ very considerably at different levels of management. At one end, where the exercise of authority in decision-making is almost complete, participation will be negligible; while at the other end, where the exercise of authority is relatively small, participation will be maximum. In between these two extremes, the nature and extent of participation will vary, depending on a variety of factors, including the problems or issues, the attitudes and past experience of the management, and the development of human relations in general and labour management relations in particular. The fact is that workers’ participation in management will have to be at different levels. Workers may be given an opportunity to influence or take part in managerial decisions at the higher level through their representatives on a supervisory board or on the Boards of Directors, or through works councils. Participation may also be at lower levels at which workers are given some authority to plan and take decisions about their work, like job enrichment, job enlargement, delegation, etc.³

There are various stages of participation. Dorothea has given three stages of development of labour-management cooperation, viz., ‘information sharing’, ‘problem sharing’, and ‘idea sharing’. According to her, the information sharing stage is one in which an employer looks upon the joint committee as a means of informing employees about business conditions and the outlook of their (233)
company, as well as telling them about changes in operating methods before they are put into effect. The problem sharing stage is one at which the employer recognizes that workers can make a contribution in such areas as material costs, and the quality of waste, and the management presents the facts and labour is requested to give its opinion or to make proposals for improving the situation. At the idea sharing stage, the management indicates its willingness to have labour-initiated ideas in any kind of production and personnel activities and labour, with certain safeguards, is willing to contribute to the operation of the business.4

Earnest Dale describes four kinds of cooperation:

i) Informal cooperation, where the parties merely cooperate in gathering information. Pooled facts are then made available to both the parties for whatever use they care to make to them;

ii) Advisory cooperation, where each side may consult with the other. The union gives advice on certain matters to the management and the management consults them before action is taken;

iii) Constructive cooperation, where each party makes suggestions for improvement and the suggestions are acted upon; and

iv) Joint determination, where policy matters are jointly decided by the union and the employer.5

Broadly speaking, there are four stages of participation. At the initial stage, participation may be informative and associative participation, where members have the right to receive information, discuss and give suggestions. on the general economic situation of the concern, the state of the market, production and sales programmes, organization and general running of the

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undertaking, circumstances affecting the economic position of the concern, methods of manufacture and work, annual balance sheet and profit and loss account and connected, documents and explanations, long-term plans for expansion, redeployment, and such other matters as may be agreed to. There are the areas in which the members have the right to receive information and discuss these, and make suggestions which are binding on the management.

*Consultative participation* involves a higher degree of sharing of views of the members and giving them an opportunity to “express their feelings. Members are consulted on canteen and ‘welfare amenities, production and methods of work, safety, housing and other programmes of the company. Management may or may not accept the suggestions.

*Administrative participation* involves a greater degree of sharing in the authority and responsibility of the management’s functions, and allows members a little more autonomy in the exercise of administrative and supervisory powers in respect of welfare measures and safety works, the operation of vocational training and apprenticeship schemes, the preparation of schedules of working hours and breaks and holidays, payment of reward for valuable suggestions received, and any other matter that may be agreed to by the members.

*Decision participation* is the highest form of participation, where sharing in the decision-making power is complete and the delegation of authority and responsibility of managerial function to such a body is maximum. In matters like economic, financial and administrative policies the decisions are mutually taken.

In short, workers’ participation in management can deal with and exercise supervisory, advisory and administrative functions on matters concerning safety, welfare, etc., though the ultimate responsibility is vested in the management.
However, all such matters as wages, bonus, etc., which are subjects of collective bargaining, are excluded from the purview of the workers’ participation schemes. Individual grievances are also excluded from their scope. In short, the creation of new rights as between employers and workers should be outside the jurisdiction of the participation schemes.

**Merits and Demerits of Workers’ Participation Scheme**

The concept of workers’ participation in management is very important from the workers and the management point of view. The scheme is very useful to promote industrial and human relations in industry provided the scheme is implemented honestly and without any reservations. It may help minimizing the labour disputes because both labour and management are the partners in the welfare of the industry. All the problems, concerning the workers are resolved amicably.

The importance of this scheme can be judged from the following, facts. on the basis of which one can agree for the implementation of the scheme:

1. **Mutual Understanding**: In a capitalistic economy, workers, and capitalists are two groups having different interests. Both doubt, the integrity of each other because both are ignorant of each other’s problems and never try to know them. The workers’ participation will extend the mutual understanding. The workers and employers will come nearer to each other and understand each other’s will. It gives employees a better understanding of their role in the working of the industry and of the processes of production.

2. **Increase in Production**: Cooperation of workers results in increased production. Better understanding and good relations are the pre-requisites of higher and better production. Production and productivity cannot be increased without effective cooperation of the workers. Increased production will benefit the employers’ community and the workers.
(3) **Eliminating Industrial Disputes:** As the workers become the partners of the industry and take part in the decision-making they extend full cooperation to the management in carrying out the decision. They have a sense of loyalty and better understanding. The possibility of dispute based on irrational grounds is reduced to the minimum.

(4) **Increased Efficiency of Workers:** Under the scheme workers are abide by their own decisions and work with their full zeal to carry out the decision. Thus, their efficiency and productivity are increased to a great extent which benefit both the parties to the labour in shape of increased wages and to the management in the form of increased and better production.

(5) **No Outside Intervention:** The employees become responsible for carrying out the decision and industrial relations are improved hence industrial disputes become negligible. No question of outside intervention arises in absence of any dispute.

(6) **Industrial Democracy:** Industrial democracy means participation of all parties concerned or affected in the management of industries. When workers participate in the management true industrial democracy is established. Their ego will be satisfied and they will contribute something positive in the interest of the industry themselves and of the country because they can express themselves better.

(7) **No Resistance of Change:** Change is generally resisted by workers because every change is regarded by workers a threat to stability. But, if workers are given a right to participate in the decision-making bodies, they will adjust themselves to the changed environment and one the workers are taken into confidence introduction of change is very smooth.

(8) **Creativity of Employees can be Spotted Out:** Participation offers an opportunity to intelligent employees to demonstrate their knowledge, skill,
initiativeness as well as creativity. Highly capable persons having talent can be easily spotted out and offered due promotion. Thus, participation enables the management to capitalize the talent and ability of employees. Participation also offers an opportunity for the advancement of employees and of management executives.

**Arguments against the Participation of Workers in Management**

We have discussed above the arguments generally advanced for the scheme of workers’ participation in management. But the employers have not favoured the scheme and the workers are also not enthusiastic in this connection. The scheme is criticized by the employers on the following grounds:

(1) **Workers are Inefficient:** Indian workers are inefficient and uneducated in the eyes of the management and are not competent in taking the decision. It will delay the implementation of the decision. Sometimes a good decision cannot be carried out if it is not supported by the workers.

(2) **No Participation Possible in Complicated Problems:** Participation cannot be extended to complicated problems of financing, marketing, production, managerial functions, such as planning, directing, coordinating, controlling, etc. These functions require specialized knowledge. Management today has assumed professional character demanding services of exports such as financiers, engineers, managers, accountants chemists, statisticians, etc. These exports are fully equipped and use the modem methods and techniques to the job they are assigned. The specialized knowledge thus is not an elective function and therefore cannot be shared with workers.

(3) **Weak Trade Unions:** Trade union movement in India is not quite strong in our country. There are multiple trade unions and they are dominated mainly by political leaders and with political ideologies. Participation in India can succeed only when labour is duly organized so that they can work on equal
footings. ‘For successful participation, it is very necessary to have one representative trade union in one unit.

To sum up the view, it can be concluded that in India 80 per cent of workers are below the poverty line and they are not even assumed fair or need-based wages. The average workers have neither time, nor energy nor interest in exercising their right to participate in the management at higher level. Under such circumstances, full-fledged participation of labour in management is not a practical proposition. However, workers may be or should be given opportunities to participate at plant level through asking them suggestions to various labour problems or giving them representation on various committees. The workers’ participation at plant level should be restricted also to the problems concerning workers. Any problem relating to the industry requiring specialized or expert knowledge cannot be consulted with the workers. General managerial functions should also be reserved for management experts.

Though the position in India has improved much since independence, workers are now matured and have better understanding than before. It has been experienced that in industry where the scheme is implemented, the efficiency and productivity of workers have increased and labour relations have improved much. Workers feel themselves more responsible. So, in the first instance, they should be given an opportunity to participate at plant level and due course at higher and higher level. But for the successful implementation, it is a prerequisite that both management and workers should have a complete mental revolution. If the scheme is implemented honestly, it would benefit all parties concerned, i.e., employer, employees, society, government and country.

Experiences of Other Countries Regarding Workers’ Participation in Management

The movement for workers’ participation is a post-war (World War II) development when several countries made provision for some forum or the
other for the purpose. Committees or councils were set up. Their enthusiasm, however, declined rapidly. Now, committees/councils do not play any significant part in labour-management relations at the enterprise level.

**Great Britain, Japan & Canada**

In the industrial relations system, joint committees for consultation were set up during World War II. These committees were advisory in character, and their functions included consideration and discussion of the changes to be effected in the methods of production, safety, welfare, training and education, work rules and personnel problems other than the problem of wages. In industries with strongly organized trade unions, the influence of these committees was insignificant, for collective bargaining was a more effective arrangement. These committees, however, still survive and play an important role in those sectors of industry where the organizations of workers are either weak or where workers are unorganized. Until recently, the appointment of worker-directors had received little support from British trade unions. In recent years, however, trade unionists have been increasingly appointed on the boards of nationalized organizations.

In Canada and Japan, joint committees/councils were set up on a voluntary basis in the post-war period. As in Great Britain, “these committees/councils made no significant impact on industrial relations in these countries.

**France**

Since 1946, all undertakings employing 50 or more persons are required by law (of 1945) to set up works committees, which have the right to receive information and to be consulted on economic matters. Workers’ participation has not made much headway, except in matters related to welfare.
These committees, however, are required to be set up either under law or under agreement in Belgium, Italy, Norway, Sweden and the Netherlands. In these countries, worker representatives attend the Board of Director’s meetings as well.

**USA**

In USA, the concept of workers’ participation in management does not have a popular appeal. Both management and trade unions are indifferent about it. In the post-war period, however, profit sharing schemes, such as the Scanlon Plan, were adopted, which encouraged workers to help management in solving production problems and in reducing costs. In the context of US industrial relations setting, the most effective way by which workers influence managerial decision making is collective bargaining.

**Co-determination in West Germany**

In West Germany, co-determination was the outcome of the Second World War. The co-determination scheme was introduced as an alternative to nationalization. The co-determination Act of 1951 applies to all undertakings in coal and steel industries. Under the Act of 1951, the workers could get equal representation along with the owners or employers on the supervisory boards at the undertaking level. The industries other than coal and steel are governed by Works Constitution Act of 1952. Under the Act of 1952, the representation of the workers on the supervisory board is only one-third of the total number of the members.

The institutional framework for workers’ participation in Management under Works Constitution Act 1972 is the Works Councils at the shop-floor level, Supervisory boards at the undertaking level, and the labour director on the management boards.
The works councils are elected for three years. The works council has various co-decision, consultation and information rights vis-à-vis the employer.

The supervisory boards at the company or undertaking level have equal representation of workers and the owners or shareholders. The supervisory boards appoint the members of the executive or management boards. The executive board conducts the day-to-day business and is the true power centre of the company. The labour director is considered a board member with equal status.

**Self-Management: Poland, Yugoslavia, Israel, Poland**

The structure of workers’ self-management scheme has been defined under the Workers’ Self-Management Act of 1958. The Act provides for a self-management conference, a workers’ council and a department (workshop) council, particularly in large undertakings.

The self-management conference comprises of members of the workers’ council, of the trade union committee, and of the party (Polish United Workers Party) committee for the undertaking. Two workers’ council is formed of the elected representatives of workers, a representative of the trade union committee, and a representative of the party committee for the undertaking. Departmental councils are organized on similar lines at the departmental, level. The most noteworthy influence of self-management bodies is on the operations of the works fund, which is financed by a levy on profits. This works fund provides resources for housing, social benefits and for the reward for workers in accordance with their merit.

**Yugoslavia**

The fundamental principles of workers’ self-government were laid down
by law in 1950. A workers’ council is set up in every firm. In larger firms, the number of the members of the council varies between 15 and 20. The council elects and supervises its own executive body, i.e., the body of management. It also appoints the Directors of the undertakings. Production management is a major task of the Directors, while the other aspects of management, such as planning and policy formulation, are handled by the workers’ council and the Managing Board. These self-governing bodies are very well developed in the larger industrial and mining enterprises. On agricultural estates, in building construction, trade, handicrafts and the catering industry, these bodies lag far behind.

**Israel**

Histadrut, the trade union organization of Israel, has 90 percent of Israel workers as members of its unions. It owns a network of undertakings that provide over 20 percent of NNP. The government undertakings and Histadrut together account for nearly 42 percent of the NNP. The joint productivity council was the earliest form of workers’ participation; but its role was limited to dealing with questions relating to incentive pay. The areas of participation were broadened when in 1958, Histadrut decided to establish workers councils in those firms, which it owned. The participation formula was further broadened in 1964 when the National Council of Histadrut decided that representatives of workers would participate in the local management of each Histadrut-owned industrial undertaking. The workers’ representatives are elected by the workers’ council in each company.

**Working of Workers’ Participation in Management in India**

The highlights of the Indian experience, with regard to workers’ participation in management is that, the schemes have although been initiated
by the Government. Taking into account the economic, political and worker/trade union situation in India, the Government’s initiative for participative management is justified. The global experience also stands testimony to such initiative. The trade unions in India who have demanded for nationalization of industry that culminate in people’s participation in the economic activity have been conspicuous by their silence with regard to workers’ participation in the industrial activity.

There has been a phenomenal growth in number of units adopted by JMCs in public sector (augmented from eight in 1958 to 140 in 1976). JMCs in some of the public sector undertakings, for example, Bharat Heavy Electricals Limited have provided an appropriate forum for effective communication, and managements unreservedly furnished all facts and information sought for, the unions have responded by moderating their enthusiasm and exercising reasonable restraint in demanding information, disclosure of which could be detrimental to the interest of the organization. Deliberations in the JMCs are characterized by mutual understanding and a high level of objectivity in the appreciation of problems without acrimony or emotionalism.

But the working of the JMCs indicates that they have not been successful both in private and public sectors. JMC was first introduced in Hindustan Machine Tools in 1958 among the public sector units but survived less than one year. The scheme was also failed in other public sector units like Posts and Telegraphs, Railways, Hindustan Insecticides, Indian Airlines Corporation, Air India International and in Fertilizer and Chemical Corporations.

It is often criticized by different quarters that the scheme of employee participation in management did not make a headway thought it was initiated with much enthusiasm. The National Commission on Labour observed that, “mental reservations which operated against it are same both in the ranks of

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management and among the workers”.

**Performance Evaluation of the Scheme of Workers’ Participation in Management**

Number of public sector units implemented or initiated action of implementing the Joint Councils increased from 472 in 1976 to 545 in 1978. A Committee on workers’ participation in management and equity as appointed by the Government in September 1977 to study all the issues relating to participative management. The committee after its in-depth study suggested the outline of a comprehensive scheme and came to conclusions on matters like the nature, structure, levels of participation and their function, which may form part of a scheme of participative management. Though this theme was lauded with great fanfare, it has not been effective in its working owing to the same malady from which the Joint Management Councils have been suffering, i.e., absence of commitment of both employer and employees. Further, employees feel that this scheme is mostly oriented to maximization of production/productivity, optimum utilization of capacity, better utilization of raw materials etc., without concerning much about the mean of the unit/plant.

**Reasons for the Limited Success of Workers’ participation in Management**

Thus, it is felt that the ineffective functioning of various schemes of participative management has been mostly due to absence of commitment and lack of interest in the schemes of participative management on the part of both the parties. But a study conducted by Prof. Laxminarain reveals that both the trade unionists and managements covered in the study have much faith in the potentiality and promise of employers’ participation in management and a majority of them believe that it would be successful if proper mechanisms are introduced. Further, both the employees and manager fully appreciate the benefits
of participative management such as increase in production/productivity, better understanding among managers. Supervisors’ and workers and help in strengthening industrial relations. Further, the trade unionists believe that employees are capable of being an effective party to participative management as they are:

a) Generally interested in participation at various level;
b) Desirous of sharing the responsibility; and
c) Competent of effectively participate in decision-making at various levels.

Despite the positive attitudes of both the parties about the conceptual framework of participative management, the arrangements of the participative management in public sector units are so far failed to deliver the goods. It is felt the existing system is not conductive due to inherent constraints due to –

i) The inherent conflicts between employees and management;
ii) The general belief that the workers are inferior to management;
iii) The fact that the system is management dominated and due to; and
iv) The view that managers are averse to share responsibility.

Further, it is also viewed that the ineffective functioning might be partly due to certain defects in contextual setting and the mechanisms of participative management at micro level. Workers feel that there is no seriousness on the part of management in making the schemes of participative management a success. In view of these defects, the author of the study suggested that, it is necessary to sell the concept to the top management more vigorously and to change it with the responsibility to implement the participative management
schemes in all enterprises. Further, managers’ participation in management at top level is an important link in the participative approach down to the line. Additional managers should also share powers with employees to make the participative management a success. In this connection, managers in the public sector would have to be bold enough to take some risks inherent in the sharing of power. Further, it is felt by the parties concerned that voluntary nature of participative management schemes is another reason for their ineffective functioning. In this connection, it is suggested that the Government should take effective steps in providing necessary infrastructure, in addition to providing necessary legislative framework for the success of the participative management.

Public enterprises should provide a lead in making the scheme of participative management a success to the private sector industries in the country, with their distinct advantage by providing training to the employees in production, planning, techniques, management, decision-making, behavioural skills, financial area, organizational knowledge, etc. This naturally calls for re-orientation of workers’ education and training programmes. The managers in public sector should not as the owners act in private sector industry in sharing authority, views, information, etc., and they have to take employees into confidence since all of them are the partners in the industrial endeavour of public sector. Thus, the roles to be played by managers and workers are challenging but not beyond achievement in making workers participation a successful one.

**Suggestions for the Success of Workers’ Participation in Management**

The following are the pre-requisites for the successful functioning of the schemes of workers’ participation in management. Managements, trade unions and the workers should be concerned with these pre-requisites:

i) There should be mutual trust, faith among all the parties concerned.
ii) There should be progressive management in the enterprise and should recognize its obligations and responsibilities towards workers and trade unions.

iii) There should be strong, democratic and representative union, which should represent the cause of workers without neglecting the management’s interest.

iv) There should be closely and mutually formulated, objectives for participation by trade unions and management.

v) All parties concerned to participative management should feel that they should participate at all levels.

vi) There should be effective communication between workers and management and effective consultation of the workers by the management.

vii) Both the parties should develop a favourable, attitude towards the schemes of participative management.

viii) Management and Government should provide training to all the parties concerned to prepare them for participative management.

ix) Both the parties of anticipative management should be conscious of the benefits of the schemes.
Bachelor of Business Administration

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HUMAN RESOURCE MANAGEMENT

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