

**Master of Business Administration  
(M.B.A.)**

**MBA-202**

**HUMAN RESOURCE  
MANAGEMENT**



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<b>INTRODUCTION TO HRM: CONCEPTS, PERSPECTIVES AND HRM IN A CHANGING ENVIRONMENT</b>	

## STRUCTURE

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### 1.1 Learning Objectives

This lesson highlights basic elements of Human Resource Management (HRM). It describes the concepts of human resource management and explains scope of human resource management. It identifies the objectives and importance of HRM. Further, it explains the growth of HRM and examines features, impediments and HRM trends in changing environment.

After reading this lesson, students will be able to:

- Describe the concepts of human resource management.
- Explain scope of human resource management.
- Identify the objectives and importance of HRM.
- Explain the growth of HRM
- Examine Features, Impediments and HRM Trends in Changing Environment

### 1.2 Introduction

One of the important duties of the modern manager is to get things done through people. He has to bring employees into contact with the organization in such a way that the objectives of both groups are achieved. He must be interested in the people, the work and the achievement of assigned objectives. To be effective, he must balance his concerns for people and work. In other words, he must know how to utilize human as well as non-human resources while translating goals into action.

So, it must be recognized by the manager that individuals, not organizations, create excellence. Recognizing the importance of the human element in the production process, PF Drucker had remarked that “man, of all the resources available to man, can grow and develop”. The problem of establishing the right climate to maximize employee motivation and commitment is still with us.

#### 1.2.1 Definitions

Human Resource Management is a process of bringing people and organizations together so that the goals of each are met. It is that part of the management process which is concerned with the



management of human resources in an organization. It tries to secure the best from people by winning their wholehearted cooperation. In short, it may be defined as the art of procuring, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner.

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

- **Pervasive force:** HRM is pervasive in nature. It is present in all enterprises. It permeates all levels of management in an organization.
- **Action oriented:** HRM focuses attention on action, rather than on record keeping, written procedures or rules. The problems of employees at work are solved through rational policies.
- **Individually oriented:** It tries to help employees develop their potential fully. It encourages them to give out their best to the organization. It motivates employees through a systematic process of recruitment, selection, training and development coupled with fair wage policies.
- **People oriented:** HRM is all about people at work, both as individuals and groups. It tries to put people on assigned jobs in order to produce good results. The resultant gains are used to reward people and motivate them toward further improvements in productivity.
- **Development oriented:** HRM intends to develop the full potential of employees. The reward structure is tuned to the needs of employees. Training is offered to sharpen and improve their skills. Employees are rotated on various jobs so that they gain experience and exposure. Every attempt is made to use their talents fully in the service of organizational goals.
- **Integrating mechanism:** HRM tries to build and maintain cordial relations between people working at various levels in the organization. In short, it tries to integrate human assets in the best possible manner in the service of an organization.
- **Comprehensive function:** HRM is, to some extent, concerned with any organizational decision which has an impact on the, workforce or the potential workforce (Bernardin, p.15). The term 'workforce' signifies people working at various levels, including workers, supervisors, middle and



top managers. It is concerned with managing people at work. It covers all types of personnel. Personnel work may take different shapes and forms at each level in the organizational hierarchy but the basic objective of achieving organizational effectiveness through effective and efficient utilization of human resources, remains the same. “It is basically a method of developing potentialities of employees so that they get maximum satisfaction out of their work and give their best efforts to the organization”. (Pigors and Myers)

- **Auxiliary service:** HR departments exist to assist and advise the line or operating managers to do their personnel work more effectively. HR manager is a specialist advisor. It is a staff function.
- **Inter-disciplinary function:** HRM is a multi-disciplinary activity, utilising knowledge and inputs drawn from psychology, sociology, anthropology, economics, etc. To unravel the mystery surrounding the human brain, managers, need to understand and appreciate the contributions of all such ‘soft’ disciplines.
- **Continuous function:** According to Terry, HRM is not a one shot deal. It cannot be practiced only one hour each day or one day a week. It requires a constant alertness and awareness of human relations and their importance in every day operations.

### 1.2.2 Scope of HRM

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

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



### 1.2.3 Objectives of HRM

Although managers and supervisors in the past often were arbitrary and autocratic in their relations with subordinates, today this type of leadership is being increasingly rejected. The present generation of employees is more enlightened and better educated than were preceding ones. Today's employees demand more considerate treatment and a more sophisticated form of leadership. Furthermore, because of the protection that is provided by the unions and government or because their skills are in short supply, many group of employees are in a position to demand and obtain more favorable employment conditions and treatment. In the light of these emerging trends, HRM's objectives have been expanding all these years. Let's examine these in detail.

- ***To help the organization reach its goals:*** HR department, like other departments in an organization, exists to achieve the goals of the organization first and if it does not meet this purpose, HR department will wither and die.
- ***To employ the skills and abilities of the workforce efficiently:*** The primary purpose of HRM is to make people's strengths productive and to benefit customers, stockholders and employees.
- ***To provide the organization with well-trained and well-motivated employees:*** HRM requires that employees be motivated to exert their maximum efforts, that their performance be evaluated properly for results and that they be remunerated on the basis of their contributions to the organization.
- ***To increase to the fullest the employee's job satisfaction and self-actualization:*** It tries to prompt and stimulate every employee to realize his potential. To this end suitable programmes have to be designed aimed at improving the quality of work life (QWL).
- ***To develop and maintain a quality of work life:*** It makes employment in the organization a desirable personal and social situation. Without improvement in the quality of work life, it is difficult to improve organizational performance.
- ***To communicate HR policies to all employees:*** It is the responsibility of HRM to communicate in the fullest possible sense both in tapping ideas, opinions and feelings of customers, non-customers,



regulators and other external public as well as in understanding the views of internal human resources.

- ***To help maintain ethical policies and behavior:*** The Chief Personnel Officer in a large American Corporation put it thus: Personnel's purpose is "to practice morality in management in preparing people for change, dealing with dissent and conflict, holding high standards of productivity, building acceptance of standards that determine progression and adhering to the spirit and letter of high professional conduct".

Thus, HRM in short should try to (a) attain economically and effectively the organizational goals; (b) serve to the highest possible degree the individual goals; and (c) preserve and advance the general welfare of the community. The above eight objectives (drawn from Ivancevich and Glueck) should ultimately lead to employee satisfaction and fulfillment. This is however easier said than done. Unless HR people are thoroughly conversant with the social, legal and economic trends in the economy, managing people in today's world of work would always prove to be a ticklish affair.

### 1.2.4 Importance of HRM

Human resources, along with financial and material resources, contribute to the production of goods and services in an organization. Physical and monetary resources, by themselves, cannot improve efficiency or contribute to an increased rate of return on investment. It is through the combined and concerted efforts of people that monetary or material resources are harnessed to achieve organizational goals. But these efforts, attitudes and skills have to be sharpened from time to time to optimize the effectiveness of human resources and to enable them to meet greater challenges. This is where Human Resource Management plays a crucial role. It helps an organization in multifarious ways:

- **At the enterprise level:** Good human resource practices can help in attracting and retaining the best people in the organization. Planning alerts the company to the types of people it will need in the short, medium and long run.
- **At the individual level:** Effective management of human resources helps employees.





- **At the society level:** Society, as a whole, is the major beneficiary of good human resource practices. The employment opportunities multiply and scarce talents are put to best use. Companies that pay and treat people well always race ahead of others and deliver excellent results.

### 1.2.5 Growth of HRM

HRM is a dynamic discipline as it mostly deals with ever-changing work settings, characterized by people having varied cultural, social and religious backgrounds, diverse goals, multifarious expectations and attitudes. The personnel scene itself has been changing quite dramatically over the years. Government regulations, competitive pressures, unionization of employees, do exert a strong influence on the way the personnel function is carried out in various organizations. Further, the nature of the work goals, make-up of the workgroup, leadership style and experience also determine the effectiveness of HRM function in the long run. Over the years, employees have become more sophisticated in their demands for high quality work environments, adequate pay and benefits, proper training and career growth opportunities. All these factors compel human resource professionals to look for ways to improve their interactions with employees, other managers and outside groups in order to maximize worker productivity and satisfaction. However, as pointed out by Rudrabasavaraj, personnel administration in India, as it is interpreted, discussed and practiced is largely static, legalistic and ritualistic. There seems to be a lot of confused thinking and a plain lack of awareness of what HRM is and how it can contribute to an organization. To clear the 'fog' let's quickly run through the historical origins of personnel management followed by the evolution of the concept of HRM in India.

#### History of Human Resource Management (HRM)

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

- **The industrial revolution:** During this period machines were brought in; technology made rapid progress; jobs were more fragmented where the worker did only a small portion of the total job; and specialization increased speed and efficiency but left workers with dull, boring and monotonous jobs. Workers were treated like 'glorified machine tools'. Employers were keen to meet production targets rather than satisfy workers' demands. Government did very little to protect the interests of workers.



- **Scientific management:** To improve efficiency and speed F W Taylor advocated scientific management. Scientific management is nothing but a systematic analysis and breakdown of work into its smallest mechanical elements and rearranging them into their most efficient combination. In addition to the scientific study of the task itself, Taylor argued that individuals selected to perform the tasks should be as perfectly matched, physically and mentally, to the requirements of the task as possible and that overqualified individuals should be excluded. Employees should also be trained carefully by supervisors to ensure that they performed the task exactly as specified by prior scientific analysis. A differential piece rate system was also advocated by Taylor to provide an incentive for employees to follow the detailed procedures specified by supervisors.
- **Trade unionism:** Workers joined hands to protect against the exploitative tendencies of employers and the prohibitive, unfair labour practices through unions. Unions tried to improve the lot of workers through collective bargaining, resolving the grievances of workers relating to working conditions, pay and benefits, disciplinary actions, etc.
- **Human relations movement:** The famous Hawthorne experiments conducted by Elton Mayo and his Harvard colleagues during 1930s and 1940s demonstrated that employee productivity was affected not only by the way the job was designed and the manner in which employees were rewarded economically, but by certain social and psychological factors as well. The human relations movement led to the wide scale implementation of behavioral science techniques in industry for the first time which included supervisory training programmes, emphasizing support and concern for workers, programmes to strengthen the bonds between labour and management and counseling programmes whereby employees were encouraged to discuss both work and personal problems with trained counselors. The movement was also influenced by the growing strength of unions during the late 1930s and 1940s. The rise of unionism during this period was due to the passage of the Wagner Act which gave workers the legal right to bargain collectively with employers over matters concerning, wages, job security, benefits and many other conditions of work.
- **Human resources approach:** However, during early 60s the 'pet milk theory', (advocating that happy workers are productive workers or happy cows give more milk) of human relationships had



been largely rejected. Recognizing the fact that workers are unique in their own way – having individual needs. It was recognized that each employee is a unique and highly complex individual with different wants, needs and values. What motivates one employee may not motivate another and being happy or feeling good may have little or no impact on the productivity of certain employees. Slowly but steadily, the trend towards treating employees as resources or assets emerged.

The contribution of behavioral science to management practice consists primarily of producing new insights rather than new techniques. It has developed or expanded a useful way of thinking, about the role of the manager, the nature of organizations and the behavior of an individual within an organization.

### **Growth of HRM in India**

**Early phase:** Though it is said that HRM is a discipline of recent growth, it has had its origin dating back to 1800 B.C. For example: the minimum wage rate and incentive wage plans were included in the Babylonian Code of Hammurabi around 1800 B.C. The Chinese, as early as 1650 B.C had originated the principle of division of labour and they understood labour turnover even in 400 B.C. The span of management and related concepts of organization were well understood by Moses around 1250 B.C and the Chaldeans has incentive wage plans around 400 B.C. Kautilya, in India (in his book Arthashastra) made reference to various concepts like job analysis, selection procedures, executive development, incentive system and performance appraisal.

**Legal phase:** The early roots of HRM in India could be traced back to the period after 1920. The Royal commission on labour in 1931 suggested the appointment of labour officers to protect workers' interests and act as a spokesperson of labour. After Independence, The Factories Act 1948, made it obligatory for factories employing 500.

“In view of legal compulsions and the enumeration of duties the entire approach of organizations toward their personnel was to comply with the laws and keep the welfare officers busy with routine functions (N.K Singh p.7)” Meanwhile two professional bodies, viz., the Indian Institute of Personnel Management (IIPM) Calcutta and the National Institute of Labour Management (NILM) Mumbai have come into existence in 1950s.



**Welfare phase:** During the 1960s the scope of personnel function has expanded a bit, covering labour welfare, participative management, industrial harmony, etc. “In this period, the human relations movement of the West had also had its impact on Indian organizations”. The legalistic preoccupations slowly gave way to harmonious industrial relations and good HR practices.

**Development phase:** In 1960s and 70s the HR professionals focused more on developmental aspects of human resources. The emphasis was on striking a harmonious balance between employee demands and organizational requirements. HRD has come to occupy a centre stage and a focal point of discussion in seminars, conferences and academic meets. The two professional bodies, IIPM and NILM, were merged to form the National Institute of Personnel Management (NIPM) at Calcutta.

### 1.2.6 Features of HRM Practices in India

- **Low status:** Though much has been said in the literature about the significance of human resources, i.e., it is superior to all other resources, it has not been given as much importance as financial and material resources. Consequently, HRM Managers are assigned lower status compared to Finance Managers, Production Managers and Marketing Managers. In some other organizations, though he is given equal status in the organizational hierarchy, he is normally looked down and at times discounted by the General Manager in his interaction with his immediate subordinates. Many a time, HRM is branded as a clerical activity only. In recent years, however, the situation in most private sector units and some of the public sector units has changed dramatically with personnel professionals being preferred to others while assuming top managerial assignments.
- **No initiative:** Much has been said about the modern techniques in the literature like sensitivity training, grid system, and management by objectives, structured insight, business games, operations research in manpower planning, mathematical models for manpower planning, psychological tests, performance appraisal based on MBO concept, quality circle, career planning and development, improving the quality of work-life and the like. But very few organizations in India have taken initiative to practise these modern techniques.
- **Split personalities:** The personnel men in various organizations now are torn between fancied notions of modern techniques and tools (MBO, grid training, performance appraisal techniques,



sensitivity training etc.) and their environment having medieval organizational structures and practices.

- **Lip service:** Quite often, HRM Managers do not practice leadership techniques in a fair manner, though they try to sermonize in management seminars. They pose that they are just, equal and fair to all employees in executing various personnel policies. But, in practice, they show favoritism to some, do injustice to others and in the process discriminate one against another in implementing personnel policies like promotion, transfer, performance appraisal, etc.
- **Non-cooperation:** It is also pointed out that top management as well as employees do not wholeheartedly cooperate with the HRM Manager in implementing various new techniques. Managers take the training programmes as paid holidays. Participation is not sincere and wholehearted. Their contributions in the quality circles programmes and participative management techniques in most cases are mediocre. Management is also equally responsible for this sorry state of affairs as it does not motivate/encourage them to participate.

### 1.2.7 Impediments of HRM in India

The above analysis shows that there has been a yawning gulf between the theory and practice of HRM in India. Several factors are responsible for this situation. The important among them are:

- Section 49 of the Factories Act, 1948, requires Personnel officers to perform the functions relating to welfare, day-to-day personnel activities, industrial relations, etc. But the Personnel officers, who possess legal status, quite often, failed to secure the cooperation of line managers as personnel management is a line responsibility with staff functions. Thus, the function of personnel management cannot be properly performed by a designated HRM Manager alone.
- The attitude of employees, management and particularly line managers is not always favorable towards HRM Manager. Peter F Drucker rightly stated that “The HRM Manager tends to conceive his job partly as a file clerk’s job, partly as a house keeping job, partly as a social worker’s job and partly as a fire fighter to head off union trouble or settle it”. Thus, the HRM Manager is expected to advise, counsel and assist line managers. Such diverse roles could not be performed by people having very little power and authority.



- HRM Managers have to invariably depend on lawyers due to excessive legalistic approach to labour problems. In view of his preoccupation with litigation, he cannot to other important duties.
- India's tradition-bound family management and authoritarian culture prevents the development of personnel management, along sound lines as the former's objective has always been profit maximization through exploitation of labour.
- Absence of training facilities necessary for the development of personnel management as a profession, absence of job security and job satisfaction, absence of professional attitude towards the personnel management also contribute to the pathetic state of affairs that surround personnel people everywhere.
- Personnel executives generally have a short range perspective and as a result they confine themselves to internal needs.
- The educational and research institutes have not yet taken concrete steps to work with the industries actively so as to speed up the process of professionalization of personnel management in the country.
- Personnel people find themselves in low status positions because of lack of exposure to various challenging assignments and tasks in and outside the organization. Reluctance on the part of personnel people to adapt, accept challenging jobs and to move from organization job to another for betterment. The legalistic approach to personnel management, wherein management tries to solve labour problems by depending heavily on various pieces of labour legislation has impeded the growth of personnel management along desired lines in India.
- Tradition-bound family management aims at profit maximization even today. Its mode of profit maximization is through the minimization of cost, including labour cost, as it views human resources as a cost centre rather than as a profit centre.
- Most of the HRM Managers do not have the requisite qualifications, abilities, creative skills, talents, etc., to win over the line managers. As such the line managers look down upon the HRM Managers in most organizations.



- In some organizations, personnel function is placed at third or fourth level in the organizational hierarchy or in some organizations even under the supervision of production managers.

These troubling impediments have prevented the development of personnel management along sound lines in the recent past. However, the situation is not all that bad if the following measures are kept in mind while positioning the personnel departments in present-day organizations.

### **1.2.8 Measures for Speedy growth of HRM in India**

Employers, managers, workers and the various institutes imparting personnel management education and training should take up the challenging task of developing the techniques, literature on HRM and practice them in Indian organizations.

- At the first instance, institutes like National Institute of Personnel Management, Calcutta, Xavier Labour Relations and Human Resources, New Delhi, various universities, Ministry of Human Resources Development should be charged with the obligation of developing, changing and molding the attitudes, values, ethics, traits, aspirations, demands and the like of owner managers, employed managers, HRM Managers and personnel towards the growth and vitality of HRM function.
- Further, top management should place the personnel department at a level equal to other functional departments in the organizational hierarchy and give importance to HRM Managers at par with other functional managers in marketing, finance, etc.
- The legal and welfare roles of the HRM managers should be adequately integrated with human relations and management roles.
- The job analysis of HRM Manager should be written strictly in accordance with the job and latest developments. Candidates for HRM manager's job should be selected strictly in accordance with the requirements of the job.
- Candidates selected for personnel roles should invariably hail from reputed institutes.
- HRM Managers should be creative and adaptive. They should act as change agents rather than confining themselves to conventional roles of welfare officers, labour law officer, canteen supervisors, etc.



- HRM management function should be professionalized in industries and organizations of various sizes.

### 1.2.8 HRM Trends in Changing Environment

A number of environmental factors influence the work of a HR manager. He cannot perform his job in a vacuum. These factors influence the organization through human resources. The term ‘environment’ here refers to the “totality of all factors which influence both the organization and personnel sub-system”.

The external environment consists of those factors which affect an organization’s human resources from outside the organization. Each of these external factors separately or in combination can influence the HR function of any organization. The job of a HR manager is to balance the demands and expectations of the external groups with the internal requirements and achieve the assigned goals in an efficient and effective manner. Likewise, the internal environment also affects the job of a HR manager. The functional areas, structural changes, specific cultural issues peculiar to a unit, HR systems, corporate policies and a lot of other factors influence the way the HR function is carried out. The HR manager has to work closely with these constituent parts, understand the internal dynamics properly and devise ways and means to survive and progress. In addition to these, the personnel man has to grapple with the problem of workforce diversity. Let us examine these issues in detail.

#### ➤ Technological Changes

The term technology refers to how an organization transforms its inputs into outputs. Every organization has at least one technology for transforming its resources into products or services. Maruti Suzuki Limited uses the assembly-line process to convert its financial, human and physical resources into products. Management institutes employ a variety of instructional technologies (including cases, games, exercises, role plays, presentations, etc.) for imparting knowledge to young students.

As we all know, the workspot of 2020 is significantly different from its counterpart in early 70s, chiefly because of computerization use of IT. The invention and development of microchips has brought a dramatic revolution in workplace. Microchips are tiny components of electrical circuits which can be combined to form much larger and more complex electronic systems. They have made it possible to build such systems simply and cheaply at only tiny fraction of the weight and size that would formerly





have been required. Industrial robots have begun to invade the assembly line in a big way – doing such tasks as welding, spray-painting, precision cutting or even playing snooker. Many cars are now fitted with on-board computers, especially in the developed world, that diagnose problems in seconds that used to take hours for mechanics. IBM has built a plant in Austin, Texas that can produce laptop computers without the help of a single worker. If you look at the banking industry, automated teller machines, for example, have replaced thousands of human tellers in banks. The impact of new technology on the total number of jobs available has been quite devastating. It has placed power in the hands of a small group of elite people in most large scale organizations. This has taken place because of deskilling of most jobs, where a few individuals tend to control the organizations through the increased availability of information. Lower and middle level positions are the worst hit in this scenario, because computers do the compilation and processing of information now. Work roles have also become more integrated. New technologies generally compel people to learn a new set of skills altogether and also learn to work together in project teams time and again.

### ➤ **Total quality Management**

Until a few years ago, Indian industry was roundly criticized for paying insufficient attention to the quality of goods and services. Today things have come full circle and the quality movement is at a feverish pitch. Companies such as BPL, Wipro, Maruti, Bata, Philips, Titan, etc., trumpet their steadfast devotion to quality in their advertisements. Quality has become the most important word in the corporate lexicon and companies have realized the importance of investing in processes that contribute to better quality and customer relationships. The term ‘quality’ refers to a sense of appreciation that something is better than something else. It means doing things right the first time, rather than making and correcting mistakes. According to Edward Deming, TQM is a way of creating an organizational culture committed to the continuous improvement of skills, teamwork, processes, and product and service quality and customer satisfaction. TQM is anchored to organizational culture because successful TQM is deeply embedded in virtually every aspect of organizational life.

### **TQM: The Main Ideas**

TQM is built around four main ideas: Do it right the first time, be customer centered, make continuous improvement a way of life and build teamwork and empowerment. Let’s examine these in detail:



- ***Do it right the first time:*** Managers have been interested in the quality of their products, atleast as an afterthought, since the Industrial Revolution. Thanks to the sustained efforts of quality gurus like Deming and Kaoru Ishikawa, product/service quality has become both forethought and a driving force in effective organizations of all kinds nowadays. Today's hospitals, universities and public sector organizations are as interested in improving product/service quality as are manufacturing organizations, mines, airlines and railways. In its most basic form, the emphasis on quality has come through four distinct phases since World War II – from 'fix it in' to 'inspect in' to 'build it in' to 'design it in'. Present day managers are moving away from the first two approaches and toward the 'build it in' and 'design it in' approaches.
- ***Be customer-centered:*** Organizations have to meet the expectations of both the internal and external customers. Internal customers are other members of the organization who depend on your work to get their job done. For example, a corporate lawyer employed by Maurya hotel does not directly serve the hotel chains' customers by changing beds, serving meals or carrying luggage. But that lawyer has an internal customer when a Maurya manager needs to be defended in court. As far as external customers are concerned, TQM demands all employees who deal directly with outsiders to be customer-centered.
- ***Make continuous improvement a way of life:*** The Japanese word for continuous improvement is Kaizen, which means improving the overall system by constantly improving the little details. Kaizen practitioners look at quality as an endless journey, not a final destination. In order to improve things, they experiment, measure, adjust continuously. Rather than naively assuming that zero defects means perfection, they try to put the finger on the problem causing trouble.
- ***Build teamwork and empowerment:*** TQM is built around employees, their needs, aspirations and expectations. It is employee-driven. It allows employees to exploit their full potential. Empowerment takes place when employees are properly trained, provided with all relevant information and the best possible tools, fully involved in key decisions and fairly rewarded for results. In order to carry out work effectively and efficiently, teams have to be created, drawing talent from various departments in a cooperative way.



### ➤ Benchmarking

Competitive benchmarking is the first requirement to effective TQM. It is comparatively new to Indian companies. The essence of benchmarking is the striving to be the best of the best in one's area of operations. It is a continuous process of measuring products, services and practices against the toughest competitors or industry leaders with the aim of mutual improvement. Benchmarking is a continuous process. It is not a one-shot deal because industry practices change constantly. Complacency may be suicidal. Benchmarking implies measurement of the gap between the practices of two companies so as to uncover significant differences. Benchmarking can be applied to products, services, practices, processes and methods.

Thus, benchmarking is a systematic investigation, a fruitful learning experience which ensures that the best of industry practices are uncovered, analyzed, adopted and implemented. Companies such as HDFC, IFB, Infosys, SRF, TELCO, and Bombay Dyeing have successfully applied competitive benchmarking to meet the rising expectations of customers in their respective areas.

The benchmarking process involves twelve steps: identifying benchmarking candidates, identifying best competitor, collecting data, finding the gap, projecting the future performance, communicating benchmark findings, establishing functional goals, developing action plans, implementing plans, recalibrating benchmark's attaining leadership position and integrating into processes.

### ➤ Reengineering Work Process

The primary focus of TQM is on continuous improvement or ongoing incremental change. There is a constant search for achieving things in a better way. However, many organizations operate in a dynamic environment characterized by rapid and constant change. The problem with continuous process improvements is that it may create a false sense of security. Managers may begin to think that what they are doing is positive. This may be true in majority of cases. But where an organization requires a drastic, quantum change in order to survive in a fiercely competitive market, managers have to search for solutions elsewhere

Michael Hammer coined the term for organizations. When he found companies using computers simply to automate outdated processes, rather than finding fundamentally better ways of doing things, he realized the same principles could be used in business as well. Actually reengineering takes place when



more than 70 per cent of the work processes in an organization are evaluated and altered. It demands organizational members to rethink what work should be done, how it is to be done and how best to implement these decisions. The focus is on simplifying the operations and making them more efficient and more customer-focused.

Reengineering requires management to reorganize around horizontal processes. The focus must be on the process, not the function. Functional focus promotes narrow, sectional loyalties. They are not willing to experiment, because it is against the established procedures and norms. If we reorganize around horizontal processes, we have to create cross-functional, self-managed teams. It may also mean cutting out levels of middle management. However, reengineering should not be used as a ploy to simply downsize the organization. Instead, it is a continuous review of the organization's processes and practices to increase productivity and meet specific organizational objectives. To create value for customers, managers may have to reinvent the organizations every day. Reengineering implies that organizations are shifting patterns of relationships, not fixed entities like machines and buildings.

#### ➤ **Flexible Manufacturing System**

The term 'Flexible Manufacturing' refers to the ability of computerized machines to perform a variety of programmed functions. It is the integration of computer aided design, engineering and manufacturing to produce low volume products at mass production costs. Here a single machine can make dozens or even hundreds of different parts in any order the management wants. When management wants to produce a new part, it need not change machines – it has to just change the computer programme. Robots operate the computer controlled mechanical arms that can be equipped with grippers, vacuum cups, painting guns, welding torches or other tools. They take care of tasks that require precision under hazardous conditions (spray painting, welding), handle dangerous materials (hot ingots, radioactive rods) and paint, repair, or carry out any other task under inhuman conditions without suffering any ill effects.

#### ➤ **Economic Challenges**

Nowadays the world is shrinking in all major respects. People, goods, capital and information are moving around the globe as never before. Companies are trying to become global players just to survive; let alone prosper. Coca cola, a leader in this respect, derives roughly 80 per cent of its profits



from foreign sales. IBM, Mobil, Citicorp, Motorola, Gillette too earn more than half of their revenues from operations outside USA. International borders have been ruthlessly ignored or thoroughly discounted when it comes to serving business interests. Today's managers in big firms are quite comfortable transacting business in multiple languages and cultures. In the new global marketplace HR managers are required to play challenging roles and create a competitive advantage for the firm. Competitive advantage refers to the ability of an organization to formulate strategies to exploit profitable opportunities, thereby maximising its return on investment. To this end, global firms are continually reorganising their operations and refocusing their energies around their crucial areas of competence. AT&T, for example, has a global operations team of top executives to look into country-specific demands. Infosys technologies, NIIT, Ranbaxy, Dr Reddy Laboratories have created such global operations teams long back to explore overseas markets and exploit available opportunities.

#### ➤ **Social Factors**

HR managers have long realised the importance of conducting their business in a socially relevant and responsible manner. What do you do when the company operates in an area where large army of unemployed people live? A philosophy of hiring workers who are capable of being trained as against hiring only qualified applicants may help reduce unemployment. It may also improve profitability in the long run.

#### ➤ **Local and Governmental Factors**

Governments all over the world had neither the time nor the interest to care for the problems pertaining to labour arising in industry till the end of 1940s. But the need for Governmental interference arose out of the belief that Government is the custodian of industrial and economic activities. The emergence of problems on the industrial front in the form of trade union movement, forced the governments to intervene in human resource management and to enact various pieces of labour legislation. Consequently, the Government in India, too, has come out with a complex set of rules and regulations on the employment policy of the organizations by reserving certain number of jobs of all categories to certain sections of the community. Hence, the management cannot manage the personnel unilaterally as it used to do, because it has to abide by the rules and regulations imposed by the Government from time to time.



One of the most important external factors that affects HRM is the legal environment, i.e., awareness of legislations enacted by the government at the Centre and the States. The important legislations enacted in India affecting HRM are: Factories Act, 1948; Trade Unions Act, 1926; The Payment of Wages Act, 1936; The Minimum Wages Act, 1948; The Employment State Insurance Act, 1948; Workmen's Compensation Act, 1923; The Payment of Bonus Act, 1965; The Industrial Employment (Standing Orders) Act, 1946; The Employment Exchange (Compulsory Notification of Vacancies) Act, 1959; Payment of Gratuity Act, 1972; The Maternity Benefit Act, 1961; The Apprentice Act, 1961, etc.

### ➤ Unions

Unions have also gained strength after the advent of Industrial Revolution. At present, these organizations constitute one of the power blocks in many countries, including India. With the formation and recognition of these organizations, the issues relating to employee interests are no longer determined by the unilateral actions of management. These have to be discussed with tactics to the political pressures. Thus "...the unions have turned increasingly to governmental action as a means of achieving their objectives in addition to using the more traditional actions". In consequence, the scope of managerial discretion in personnel activities has been narrowed down.

### ➤ Workforce Diversity

Diversity in the field of HRM can be defined as the situation that arises when employees differ from each other in terms of age, gender, ethnicity, education, etc. Workforce diversity means that organizations are becoming more heterogeneous in terms of age gender, race, and ethnicity. The composition of the workforce is changing in India. Young, skilled and knowledgeable employees are occupying positions of importance. At the same time, thanks to the opening up of private sector, employees are no more fascinated by secure, less-paying, routine and standardized jobs offered by the public sector and other government-owned and controlled organizations. Old employees have grown in number now, thanks to the improved medical and health care. Big private sector firms have been exploiting their talents to conceive, operate and develop new ventures in emerging areas such as oil, telecom, insurance, banking, health care, etc.

Organizations now cannot discriminate on the basis of age. They must listen to their experienced employees, to draw from their expertise and initiate programmes that meet these needs. At the same



time companies have to understand and appreciate the changing values of the young workers who join the company with lot of expectations. The days of life time employment, total loyalty to company and commitment to work seem to be a thing of the past. To attract and retain young brains, organizations have to institute appropriate HR policies, supported by attractive compensation offers.

### ➤ **Changes in Employee Roles and their Values**

Traditionally, it was believed that management has got the brains and hence will decide what is good or bad for the employees. The employees are expected to follow the commands of the boss without posing any questions. However, this paternalistic atmosphere has changed with the advent of unions. Employers have also gained consciousness regarding their rights in the workplace. Further, the changing structure of the workforce has led to the introduction of new values in organizations. Among these are moves towards (a) emphasis on quality of life rather than quantity; (b) equity and justice for the employees over economic efficiency; (c) pluralism and diversity over uniformity and centralism; (d) participation over authority; (e) personal convictions over dogma; and (f) the individual over the organization. Alienation from the job, increasing counter-productive behaviour, rising expectations and changing ideas of employees are some of the other factors responsible for the changing values and roles of human force. Consequently, it has become imperative for the management to include various fringe benefits to improve morale, introduce a machinery to redress grievances, encourage employee participation in decision-making and the like to pave the way for industrial betterment and to meet the ever increasing demands of workforce.

Another change in the values of employees is the declining work ethic. In the days gone by employees regarded job as a central life interest and pursued work assignments with single-minded devotion. In recent years, the work ethic has declined in favour of a more existential view of life. Work is regarded as only one alternative among many as a means for becoming a whole person in order to do one's own thing. Family activities, leisure, avocations and assignments in government and schools are all equally viable means through which a person can find meaning and become self-actualized.

Further, employees are seeking a greater balance between their work lives and their personal lives, more leisure time and greater flexibility in scheduling time away from work especially in 80s. Feeling severely constrained by the Monday-through-Friday, nine-to-five grueling routine, they find it difficult



to schedule doctors' appointments, accommodate children's school schedules and satisfy other personal needs away from work. Employees are demanding that management look more closely at work schedules which accommodate their needs in addition to the needs of the company.

### ➤ Level of Education

Workers have been entering the organizations with increased level of formal education in recent years. Increased formal education led to the changes in attitudes of employees. The well-educated employees always challenge and question the management's decisions and want a voice in the company's affairs affecting their interests. "As the base of education broadens, management must plan to deal with employees on a higher plane of logical interactions". One implication of an increase in educated and knowledge workers-accountants, engineers, social workers, nurses, computer experts, teachers, researchers, managers is that HRM will be called upon to find innovative ways of keeping these people challenged and satisfied. Knowledge workers often demand more responsibility and autonomy than their employers are willing or able to afford.

The internal environment also exerts considerable pressure on human resource management. The internal environment comprises those factors that affect an organization's human resources from inside the organization's boundaries. The primary internal factors include the firm's mission, company policies and corporate culture. These factors have a major impact in determining the interaction between human resource management and other departments within the organization.

### ➤ Mission and Strategy

The mission is the very reason and justification for the existence of a firm. Mission is usually expressed in terms of the benefits the firm provides to its customers. An organization's mission statement tells what it is, why it exists and the unique contribution it can make. For example, observe the mission statement of ONGC, "To stimulate, continue and accelerate efforts to develop and maximize the contribution of the energy sector to the economy of the country".

At various levels, people must carry out assigned tasks keeping the overall mission of the firm in mind. Now consider two companies: Company A wants to achieve leadership position through technological superiority, new products and processes on the other hand, Company B does not believe in taking in big risks and prefers steady growth. Company A needs a creative environment where ideas are encouraged.





Highly skilled employees need to be picked up to achieve technology-led growth. Constant focus on training and development of workforce is needed. A compensation package designed to attract, motivate and retain the most productive employees is equally important. In Company B, the strategies have to be different, in line with its philosophy. Creative people may not like to work in Company B, because the mission statement puts little emphasis on risk-taking.

### ➤ Policies

Policies offer guidance for thinking. Policies tell people what they may or may not do. They direct the manner in which activities are to be achieved. Objectives show the destination and policies offer the route. In statements like “we sell only for cash”, “customer is always right”, some aspects of a recurring problem are isolated and a broad guide is established for dealing with them quickly. Policies offer standing answers to recurring questions and specify the steps to be taken in making a decision. Most policies in large organizations relate to management of human resources only. Since policies have a degree of flexibility, however, the manager is not necessarily required to promote an employee currently with the firm. The supervisor may determine, for example, that no one in the firm is qualified and choose to look outside the firm for a replacement.

### ➤ Organizational Culture

Organizational culture is the product of all the organization's features: its people, objectives, size, technology, unions, policies, its successes and its failures. It is the sum total of shared values, beliefs and habits within an organization and in short, may be called the organization's personality.

The challenge for HR professionals is to adjust positively to the culture of the organization. They have to choose paths that best reflect the culture of the firm and the attitudes of its people. What to do when workers start violating the company norms such as smoking when they are not supposed to smoke? Should it be dismissed as a minor violation and bear with such offences in future too or should the rights of non-smokers be given importance? How to strike a balance between maximizing shareholders' returns and workers' concern for job security, especially during a merger or acquisition? A closed and threatening culture goes against the longer interests of employees. Decisions are made at the top; there tends to be a lack of trust and confidence in subordinates, secrecy pervades executive actions, workers are tightly controlled. In organizations where there is an open culture most decisions are taken at lower



levels, subordinates are trusted, two-way communication is encouraged; teams are created to solve problems. Understanding the type of culture that prevails within a firm is important in order to frame appropriate HR policies and strategies.

### ➤ Organization Structure

Organizations consist of people who are united by a common purpose. To meet the objectives, a structure is created, maintained and used. Structure here is used to refer to the network of relationships among individuals and positions in an organization.

Generally, there are three levels in organizations, viz., strategic, managerial and operating. At the strategic level, policies are formulated, goals are set, and objectives are framed. Strategies are also designed to achieve the objectives taking into consideration the environmental influences on the organization. At the management level the programmes regarding the procurement and allocation of all types of resources are formulated to achieve the strategies and objectives. At the operating level, the programmes are implemented i.e., the actual operations are carried out in the process of day to day activities in order to carry out the strategies and achieve the objectives.

Basically, there are two types of organizational structures, viz., flat and tall. Tall or pyramid type of organizational structures are suitable to the companies which are labour-oriented. Flat organizations are suitable to the technology-oriented companies. Since most of the modern organizations are technology-based and endowed with capital and highly educated employees they tend to have an organization structure where the number of employees at the operating level are relatively less. In view of this, personnel management is not only challenging but also significant one in a modern organization. Moreover, human resources have a plus value in that they can convert the disorganized resources into a useful, productive organization.

### ➤ Managing Diversity

One way to deal with the problem of diversity is to create a truly multicultural organization where all members of diverse cultural and social groups are involved in the divisions that shape the mission, operations, interactions, products and services of the organization. To this end, HR managers must encourage open communication with young and old employees, workers, minorities, disabled, etc. In this way managers can learn more about a group's personal values and understand how individuals like



to be treated. When they interact with disabled, for example, they may find that the disabled may not like any special attention or treatment to be given to them. They may want to be treated like everyone else, asking only for equal employment opportunities. Encouraging feedback from various groups regarding how they would like to be treated help HR professionals formulate appropriate strategies. In male dominated offices, sexual harassment has become a nuisance in recent time. Before initiating steps to curb such unhealthy tendencies, HR managers must interact with women employees and elicit their opinions on how to improve relations between males and females. They must develop and communicate a strongly worded policy stating that racial or sexual harassment violates company rules. Certain proactive companies nowadays are developing awareness campaigns to help employees understand the pain and indignity of harassment. At middle and higher management levels, charges of harassment could invite harsh punishment and often lead to termination of employment, followed by law suits. To protect the image and reputation of the company, HR managers must highlight rules in this regard so that everyone understands the policies of the company clearly.

### 1.3 Check your Progress

1. HRM is concerned with the most effective use of people to achieve .....and individual goals.
2. Good human resource practices can help in .....and retaining the best people in the organization.
3. ....means that organization are becoming more heterogeneous in terms of age gender, race, and ethnicity.
4. It is also pointed out that top management as well as employees do not whole-heartedly cooperate with the .....in implementing various new techniques.
5. ....is nothing but a systematic analysis and breakdown of work into its smallest mechanical elements and rearranging them into their most efficient combination.

### 1.4 Summary



Today, human resource is considered a unique asset of an organization. Employees of successful organizations are leveraged as its competitive advantage. Thus, the importance and changing role of HR professionals cannot be overemphasized.

This lesson introduces you to the field of human resource management, its nature, objectives as well as the complexities and challenges in the current context. It also discusses HRM in the Indian perspective, highlighting the evolution and growth of this field within the country. Concepts like Total Quality Management, Flexible Manufacturing Systems and Workforce Diversity are also discussed in light of their impact on the human resource of the organization.

## 1.5 Keywords

**Job Analysis:** The systematic collection, evaluation and organization of information about jobs.

**Employee Development:** A kind of future oriented training, focusing on the individual growth of the employee.

**Mission:** The reason and justification for the existence of a firm, it tells about what a company does to meet customers' expectations.

**Structure:** Framework of an organization.

**TQM:** A way of creating an organizational culture committed to the continuous improvement of skills, teamwork, processes, and product and service quality and customer satisfaction.

**Reengineering:** Radical, quantum change in an organization.

**Diversity:** The situation that arises when employees differ from each other in terms of age, gender, ethnicity, education, etc.

**Flexitime:** A work scheduling system that allows employees some discretion over when they arrive at work and leave.

**Benchmarking:** Measuring the performance of processes within your organization, comparing these performance levels with the best in class companies



## 1.6 Self-Assessment Test

1. Define “HRM”. Outline its objectives.
2. What are the current misconceptions about HRM? What should be done to improve the situation?
3. Define HRM and outline its features clearly.
4. What do you mean by the “Systems approach to HRM”? What are the important subsystems of HRM?
5. Give examples of how HR concepts and techniques can be of use to all managers.
6. Why is it important for a company to make its human resources into a competitive advantage? How can HR professionals contribute to doing so?
7. What are the important stages in the growth of personnel management in India?
8. Explain the factors inhibiting the growth of personnel management in India. Suggest measures to improve the situation.
9. Why should HR managers monitor demographic trends (such as composition, race, age, sex, education, etc.)?
10. How do economic cycles impact the HR function? Give an example of an HR policy that takes variations in the economy into account.
11. What is meant by diversity and what are the major reasons that have made it a challenge for today's organizations?
12. Outline the major characteristics of diversity.
13. How can diversity be managed? Offer suggestions at both the individual and organizational levels.
14. What factors influence the personnel environment in India? Discuss their implications.
15. Discuss the present state of the personnel function in organizational context with special reference to the strategy, structure and systems of HR.
16. Discuss the relationship between technology and HR strategies and actions. What can HR managers do to grapple with economic challenges and technological advancements?



## 1.7 Answers to check your Progress

1. Organizational
2. Attracting
3. Workforce diversity
4. HRM Manager
- . Scientific management

## 1.8 References/Suggested Readings

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<b>MANAGERIAL AND OPERATIVE FUNCTIONS OF HRM</b>	

## STRUCTURE

### 2.1 Learning Objectives

### 2.2 Introduction

#### 2.2.1 Managerial Functions of HRM

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## 2.1 Learning Objectives

This lesson highlights the Managerial Functions of HRM. It explains Operative Functions of HRM. It examines role of HRM Department in an Organization and explain the HRM Manager Qualities and qualifications and role of HRM Manager.

After reading this lesson, students will be able to:

- Describe the Managerial Functions of HRM
- Explain Operative Functions of HRM
- Identify the HRM Policies, Procedures and Programmes
- Examine role of HRM Department in an Organization
- Explain the HRM Manager Qualities and qualifications
- Examine the Role of HRM Manager

## 2.2 Introduction

HRM is concerned with people at work and their relationships with each other. It may be defined as a set of programmes, functions and activities designed to maximize both personal and organizational goals. It is essentially concerned with seeing that the organization attracts and hires qualified, imaginative and competent people for the organization. This function also involves the establishment of various policies to deal with the employees and to retain them with the organization. To this end, it lays out the rules regarding working conditions, chalks out compensation plans, employer-employee relations, etc.

### Features

- HRM is concerned with employees, both as individuals and as a group in attaining goals. It is also concerned with behavior, emotional and social aspects of HRM.
- It is concerned with the development of human resources, i.e., knowledge, capability, skill, potentialities and attaining and achieving employee-goals, including job satisfaction.





- HRM covers all levels (lower, middle and top) and categories (unskilled, skilled, technical, professional, clerical and managerial) of employees. It covers both organized and unorganized employees.
- It applies to the employees in all types of organizations in the world (industry, trade, service, commerce, economic, social, religious, political and government departments). Thus, it is common in all types of organizations.
- HRM is a continuous and never-ending process.
- It aims at attaining the goals of an organization, individual working therein and society in an integrated way. Organizational goals may include survival, growth and development in addition to profitability, productivity, innovation, excellence, etc. Individual employee-goals may consist of job satisfaction, job security, high salary, attractive fringe benefits, challenging work, pride, status, recognition, opportunity for development, etc. Goals of the society may include equal employment opportunity, protecting the disadvantaged sections and physically handicapped, minimizing wage differentials, developing the society in general through developmental activities, etc.
- HRM is a responsibility of all line managers and a function of staff managers in any organization.
- It is concerned mostly with managing human resources at work.
- HRM is the central sub-system of an organization and it permeates all types of functional management viz., production management, marketing management and financial management.
- HRM aims at securing unreserved cooperation from all employees in order to attain predetermined goals.

Michael Jucius, who defined HRM as a field of management which has to do with planning and controlling various operative functions of procuring, developing, maintaining and utilizing a labour force, such that the: (i) Objectives for which the company is established are attained economically and effectively; (ii) objectives of all levels of management are served to the highest possible degree; (iii) objectives of the community are duly considered and served.



## 2.2.1 Managerial Functions of HRM

HRM is concerned with two sets of functions, namely – managerial functions and operative functions. Let us briefly throw light on them.

### **Managerial Functions:**

The basic managerial functions comprise planning, organizing, directing and controlling.

#### ***Planning:***

This function deals with the determination of the future course of action to achieve the desired results. Planning of HRM today prevents crises tomorrow. While carrying out this function, the HRM manager is expected to determine the HRM programme regarding recruitment, selection and training of the employees of the organization.

#### ***Organizing:***

This function is primarily concerned with proper grouping of the HRM activities, assignment of different groups of activities to different individuals and delegation of authority. Creation of a proper structural framework is the primary task of the HRM manager in the organizing function. Organizing, in fact, is considered to be the woof of the entire management fabric and hence cannot afford to be ignored by the HRM manager.

#### ***Directing:***

This involves supervising and guiding the HRM of the enterprise. To execute plans, direction is essential; without direction there is no destination. Many a time, the success of the organization depends on the direction of things rather than their design. Direction, most importantly, consists of motivation and leadership. The HRM manager must be a good motivator. At the same time, he must be a good leader and able to exercise a leadership style suitable to the situation. He should, in essence, effectively motivate and lead the employees at work.

#### ***Controlling:***

Controlling function of HRM comprises measuring the employee's performance, correcting negative deviations and assuring the accomplishment of plans efficiently. Controlling essentially implies a



detection of deviations of employee performance from standards and the correction of such deviations. Controlling also makes individuals aware of their performance through review reports, records and HRM audit programmes, etc. Controlling is necessary to ensure that the activities are being carried out in accordance with stated plans.

### 2.2.2 Operative Functions of HRM

The operative functions of HRM are related to specific activities of employment, development, compensation and relations. These functions are to be performed in conjunction with managerial functions.

- **Employment:** The first operative function of HRM is employment. It is concerned with procuring and employing the people possessing necessary skill, knowledge, aptitude, etc., to achieve the organizational objectives. It covers the functions such as job analysis, manpower planning, recruitment, selection, placement, induction and internal mobility.
- **Job analysis:** It is the process of collecting information relating to the operations and responsibilities of a specific job.
- **Human resources planning:** It is a process of determining and assuring that the organization will have an adequate number of qualified persons, available at proper times, performing jobs which would meet the needs of the organization and which would provide satisfaction for the individuals involved.
- **Recruitment:** It is the process of searching for prospective employees and stimulating them to apply for jobs in an organization. **Selection:** It is the process of ascertaining the qualifications, experience, skill, knowledge, etc., of an applicant with a view to appraising his/her suitability to a job.
- **Placement:** It is the process of assigning the selected candidate with the most suitable job. It is matching of employee specifications with job requirements.
- **Induction and orientation:** Induction and orientation are the techniques by which a new employee is rehabilitated in the changed surroundings and introduced to the practices, policies, purposes and people, etc., of the organization.



- **Human Resource Development:** It is the process of improving moulding, changing and developing the skills, knowledge, creative ability, aptitude, attitude, values commitment, etc., based on present and future job and organizational requirements. This function includes:
- **Performance appraisal:** It is the systematic evaluation of individuals with respect to their performance on the job and their potential for development.
- **Training:** Training is a systematic process by which employees learn skills, knowledge, abilities or attitudes to further organizational and HRM goals.
- **Management development:** It is the process of designing and conducting suitable executive development programmes so as to develop the managerial and human relations skill of employees.
- **Career planning and development:** It is the planning of one's career and implementation of career plans by means of education, training, job search and acquisition of work experiences. It includes internal and external mobility.
- **Organization development:** Organization development is an organization wide, planned effort, managed from the top, with a goal of increasing organizational performance through planned interventions. OD looks in depth at the human side of the organizations. It seeks to change attitudes, values, organization structures and managerial practices in an effort to improve organizational performance.
- **Compensation:** It is the process of providing equitable and fair remuneration to the employees. It includes job evaluation, wage and salary administration, incentives, bonus, fringe benefits, social security measures, etc.
- **Job evaluation:** It is the process of determining relating worth or jobs.
- **Wage and salary administration:** It is the process of developing and operating a suitable wage and salary programme.
- **Incentives:** It is the process of formulating, administering and reviewing the schemes of financial incentives in addition to regular payment of wages and salary.
- **Bonus:** It includes payment of statutory bonus according to the payment of Bonus Act, 1965.



- **Fringe benefits:** In addition to compensating employees fairly and adequately, for their contributions in the performance of their jobs, organizations, these days, typically pay for a wide variety of supplementary benefits – often called ‘fringe benefits’.
- **Social security measures:** Managements provide social security to their employees in addition to the fringe benefits. These measures include:
  - (a) Workmen’s compensation to those workers (or their dependents) who are involved in accidents;
  - (b) Maternity benefits to women employees;
  - (c) Sickness benefits and medical benefits;
  - (d) Disablement benefits/allowance;
  - (e) Dependent benefits;
  - (f) Retirement benefits like provident fund, Pension, Gratuity, etc.
- **Human Relations:** It is the process of interaction among human beings. Human relations is an area of management practice in integrating people into work situation in a way that motivates them to work together productively, co-operatively and with economic, psychological and social satisfaction.
- **Effectiveness of Human Resource Management:** Effectiveness of various HRM programmes and practices can be measured and evaluated by means of organizational health and human resource accounting.
- **Organization health:** Organizational health may be studied by looking into employees’ contribution to organizational goals and the employee job satisfaction. Employee satisfaction could be understood by labour turnover, absenteeism, commitment and the like. Low rate of absenteeism and high rate of employee commitment indicate employee-satisfaction about the job and the organization. Employee contribution to organizational goals can be measured through employee productivity of different types.
- **Human resource accounting, audit and research:** Effectiveness of human resource management can also be found out through human resource accounting, audit and research.
- **Human Resources Accounting (HRA):** It is a measurement of the cost and value of human resources to the organization. Human resource management is said to be effective if the value and contribution of human resources to the organization is more than the cost of human resources.



- **Human Resource Audit:** Human resource audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of HRM. HRM audit (a) measures the effectiveness of HRM programmes and practices and (b) determines what should or should not be done in future.
- **Human Resources Research:** It is the process of evaluating the effectiveness of human resources policies and practices and developing more appropriate ones.

## 2.2.3 HRM Policies, Procedures and Programmes

### Definition of HRM Policy

A policy is a plan of action. Brewster and Richbell defined HRM policies as, “a set of proposals and actions that act as a reference point for managers in their dealings with employees. HRM policies constitute guides to action. They furnish the general standards or bases on which decisions are reached. Their genesis lies in an organization’s values, philosophy, concepts and principles”. HRM policies guide the course of action intended to accomplish HRM objectives. For example, one of the HRM policies of Indian Railways is to provide equal employment opportunities to minorities.

Broadly speaking, thus, policies are broad statements which express the organization’s principles and philosophy toward its human resource group, intentionally broad, so that they may be applied to various situations. Policies do not include detailed statements describing specifically how the policy is to be implemented. Policies are implemented by procedures.

### What is HRM Procedure?

A procedure is a well thought out course of action. It prescribes the specific manner in which a piece of work is to be done. Procedures are called ‘action guidelines’. They are generally derived from policies. Where policies define a broad field, procedures show a sequence of activities within that area. The emphasis is on chronological, step-by-step sequence of required actions. For instance, a student is required to complete several itemized steps in order to register himself for courses in a university. The basic purpose of a procedure is to spell out clearly the way one is to go about doing something.



HRM programmes are complex sets of goals, policies, procedures, rules, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action. It can be said that rules and programmes are aids to policy.

### Advantages of HRM Policies

Policies, as useful instructional devices, offer various advantages to HRM working at various levels in the following ways:

- **Delegation:** They help managers operating at various levels to act with confidence without the need for consulting the superiors every time.
- **Uniformity:** They increase the chance that different people in different levels of organization make similar choices when independently facing similar situations. They make the actions of organizational members more consistent.
- **Better control:** As HRM policies specify the relationship among organization, management and employees, they permit members to work toward achievement of the objectives of the organization without friction/conflict, paving the way for better control.
- **Standards of efficiency:** Policies can also serve as standards in the execution of work. They enable the management to find out whether the policies have been translated into action by various groups in the organization or not. In the light of actual performance, the existing policies may be subjected to amendment/refinement.
- **Confidence:** Policies make the employees aware of where they stand in the organization and create confidence in them while confronting routine and recurring problems. They reduce chances of misinterpretation, misrepresentation and friction.
- **Speedy decisions:** Policies can speed up decision making by providing a blanket framework within which HRM decisions could be made. They summarise past experience.
- **Coordinating devices:** HRM policies help in achieving coordination. If organizational members are guided by the same policies, they can predict more accurately the actions and decisions of others. They ensure a steady course of action and prevent unwarranted deviations from planned operations.



In the absence of a policy, similar questions must be considered time after time. Lack of a policy means that the organization has established no continuing position. Despite their usefulness, HRM policies are not always easy to formulate and implement. A number of hurdles come in the way.

### Obstacles in Administering HRM Policies

The factors which obstruct the implementation of HRM policies are:

- Many times managers are reluctant to follow policy guidelines, for they restrict the scope of managerial work and curtail executive freedom.
- Often conflicts erupt between implied and expressed policy statements especially on employment matters. For example, a policy of promoting employees on the basis of merit only (expressed) may be sabotaged by unscrupulous managers by promoting ‘yes men’ (implied).
- HRM policies demand constant revision, modification and restructuring from time to time. However, these policies are characterized by considerable inertia. Once established, they persist and become unalterable. In the absence of review and appraisal it would be difficult to break the cake of custom and effect desirable policy changes.
- HRM policies are not easy to communicate. From the time policies are initiated to the time they are used, there is always the danger of falling into ‘generalities and pleasantries’.
- Since policies grant freedom to managers as to what is to be done in a particular situation there is always the danger of some managers strictly adhering to the policy rhetoric and others deviating from the path excessively. A manager may be more liberal than was originally intended and vice versa. In general, ‘the extra margin’ of liberty may or may not prove to be an investment in the long run.

In order to overcome these obstacles, it is necessary to understand the basics in policy formulation and revision. It would be pertinent to look into the essentials of a sound HRM policy at this stage.

### Characteristics of a Sound HRM Policy

While developing sound HRM policies management should pay attention to the following things:

- **Related to objectives:** Policies must be capable of relating objectives to functions, physical factors and company HRM.





- **Easy to understand:** Policies should be stated in definite, positive, clear and understandable language.
- **Precise:** Policies should be sufficiently comprehensive and prescribe limits and yardsticks for future action.
- **Stable as well as flexible:** HRM policies should be stable enough to assure people that there will not be drastic overnight changes. They should be flexible enough to keep the organization in tune with the times.
- **Based on facts:** HRM policies should be built on the basis of facts and sound judgment and not on personal feelings or opportunistic decisions.
- **Appropriate number:** There should be as many HRM policies as necessary to cover conditions that can be anticipated, but not so many policies as to become confusing or meaningless.
- **Just, fair and equitable:** HRM policies should be just, fair and equitable to internal as well as external groups. For example, a policy of recruitment from within may limit opportunities to bright candidates from outside; and a policy of 'recruitment from outside only' would limit promotional avenues to promising internal candidates. To ensure justice, it is necessary to pursue both the policies scrupulously and apply them carefully.
- **Reasonable:** HRM policies must be reasonable and capable of being accomplished. To gain acceptance and commitment from employees, the policy should be 'conditioned by the suggestions and reactions of those who will be affected by the policy'.
- **Review:** Periodic review of HRM policies is essential to keep in tune with changing times and to avoid organizational complacency or managerial stagnation. For instance, if the current thinking is in favor of workers' participation in management, the HRM policy should be suitably adjusted to accommodate the latest fad, accepted by many in the organization.

HRM policies to be sound should also have broad coverage in addition to satisfying the above conditions. Hence, it would be appropriate to discuss the coverage of HRM policies here.

### Coverage of HRM Policies



The coverage of HRM policies has been classified on the basis of functions of HRM by Michael Armstrong, which is outlined hereunder:

i. ***Social responsibility***

- Equity – treating employees fairly and justly by adopting an even-handed approach.
- Consideration – considering individual circumstances when decisions affect the employee's prospects, seniority or self-respect.
- Quality of work life – increase the interest in the job and organization by reducing monotony, increasing variety of responsibilities avoiding stress and strain.

ii. ***Employment policies:*** Provision of equal employment opportunities – selecting the candidates based on job requirements – encourage the employee on the job and in the organization.

iii. ***Promotion policies:*** Promotion policies would attempt to re-concile the demands of employee for growth and organization's demands for fresh and much more potential blood. Promotion policy should be fair and just to all.

iv. ***Development policies:*** Policies should cover the kind of employees to be trained, time span of training programmes, techniques, rewarding and awarding system, qualifications and experience of the trainer, encouraging the employees for self advancement, etc.

These policies also cover the areas like career planning and development, performance appraisal, organizational change and organizational development.

e. ***Relations policies:*** Relations policies cover the areas of human relations like: policies regarding motivation, morale, communication, leadership styles, grievance procedure, disciplinary procedure, employee counseling, etc. These policies also cover the areas of industrial relations like union recognition, union representation, collective bargaining, prevention and settlement of industrial disputes, participative management, etc. HRM policies to be effective should be written on the basis of authentic information available from different sources.

### **Sources of Content for Formulating HRM Policies**

Policies are formulated on the basis of material collected from different sources like:



- past experience of the organization;
- existing practices and experiences in other organizations of the same nature or in the same geographical area or in the entire nation;
- attitudes, philosophies of the management at various levels, employees, trade unions, etc.;
- the knowledge and experience gained by all line managers and HRM managers in handling HRM issues;
- Organizational policies, etc.

HRM policies to be effective should be evaluated and controlled continuously.

### **Evaluation and Control of HRM Policies**

HRM policies, to be effective, must be reviewed, evaluated and controlled regularly against certain established standards. Evaluation helps to determine changes in the existing policies. All the policies should be reviewed annually and some policies should be reviewed at specific times like collective bargaining, after strike/lock out, etc. Departmental policies may be reviewed through participation of all employees. Outside consultants or experts from other organizations may be engaged to review crucial policies. Adequate care should be taken to review the policies in the following situations when (a) employees offer suggestions; (b) employees express grievances; (c) unsatisfactory reports about employee performance and behavior; (d) company plans for change like expansion, diversification, contraction, adoption of new technology, introduction of new methods, etc. HRM policies, to be effective, should have favorable impact on the objectives and functions of HRM and help the parties concerned.

### **Evaluating the Impact of HRM Policies**

The system and methods of HRM are mostly based on HRM policies. Hence, appraising the impact of HRM policies is beneficial to the employees, organization and society at large. The impact of HRM policies can be measured in terms of cost and benefit to employees, organization and society.

HRM policies help the organization in terms of attainment of organizational goals, increasing the efficiency, adaptability and achieving long-run results. Further organizational and human outcomes



such as turnover, absenteeism, commitment are the result of human resource policies. Human resource policies help the employees to have awareness and a clear idea about the various programmes. HRM policies also affect the society. Some HRM policies affect commonly the individual, the organization and the society. These policies relate to health, psychological and physical well being. Various HRM policies result in commitment, competence, cost effectiveness and congruence. These human resource outcomes lead to long term consequences like individual well being, organizational effectiveness and social well being

The impact of human resource policies can be measured through their outcomes viz., commitment of the employee towards the organization. Employee commitment, in turn, can be evaluated through the length of service of an employee (stability of employment), absenteeism, employee attitude towards the job, organization, etc. The competence of an employee can be appraised through performance appraisal techniques. Congruence of an employee to policies can be identified through nature and frequency of grievances, disagreement, discord, conflict, etc. Cost effectiveness can be measured through human resources accounting techniques. However, it is to be noted that the assessment of impact of human resources management policies is highly difficult, but not impossible.

## 2.2.4 Role of HRM Department in an Organization

*As a specialist:* The HRM department has staff relationship with other departments/managers in the total organization. The HRM department is responsible for advising management from Managing Director to the lowest line supervisor on all areas relating to the HRM and industrial relations. HRM department also performs various functions of employment, training and development. It represents management in many of the relationships that effect the organization as a whole. It is also responsible for conveying the problems, grievances or simply opinions of workers to management. HRM department generally acts in an advisory capacity; it provides information, offers suggestions, counsels and assists all the line managers in the organization and is not responsible for the end results. The HRM manager must exercise control very tactfully, in order to win the confidence and cooperation of all line managers. He has to persuade the line managers to work with staff specialists and not against them. The authority of HRM manager should derive from concrete HRM policies and programmes and from the advantage and result of accepted specialized knowledge.



**As a source of help:** In certain situations, (in which line managers lack skill or knowledge in dealing with employee problems) experienced HRM managers assume line responsibility for HRM matters. But it may be resented by the very managers who ought to seek staff assistance in meeting their HRM responsibilities. HRM managers should earn the reputation and confidence of line managers of being a source of help rather than a source of threat. Staff assistance is likely to be effective when it is wanted rather than when imposed.

**As a change agent:** HRM manager should work as an enabler and change agent regarding HRM areas and he should be familiar with different disciplines like management, technology, sociology, psychology and organizational behavior as organizational adaptability, viability and development are dependent on human resource development. So the HRM manager should work as a consultant of an organizational development by providing necessary information and infrastructure to the line managers.

**As a controller:** HRM managers help line people implement organizational policies and programmes concerning people working at various levels – in line with what has been planned earlier.

The success of the HRM department can be gauged by the degree of dependence of line managers on HRM department, which in turn depends greatly on the qualifications and qualities of the HRM manager.

## 2.2.5 HRM Manager Qualities and qualifications

The functions of HRM vary from organization to organization, both in nature and degree. So, the qualifications required of a HRM manager differ from organization to organization, depending on its nature, size, location, etc. However, the qualifications and qualities which will be applicable in general can be summarized as follows:

### ***Personal attributes:***

The HRM manager, as in case of any other manager, must have initiative, resourcefulness, depth of perception, maturity in judgment and analytical ability. Freedom from bias would enable the HRM manager to take an objective view of both of management and workers. He must thus have intellectual integrity. Moreover, the HRM manager should be thorough with labour laws. An understanding of human behavior is essential to the HRM manager. The HRM manager must be familiar with human



needs, wants, hopes and desires, values, aspirations, etc., without which motivating people is not easy. The HRM manager should also possess other personal attributes like:

- ***Intelligence:*** This includes skills to communicate, articulate, moderate, understand, command over language, mental ability and tact in dealing with people intelligently, ability to draft agreements, policies, etc.
- ***Educational skills:*** HRM manager should possess learning and teaching skills as he has to learn and teach employees about the organizational growth, need for and mode of development of individuals, etc.
- ***Discriminating skills:*** HRM men should have the ability to discriminate between right and wrong, between the just and unjust, merit and demerit.
- ***Executing skills:*** HRM manager is expected to execute the management's decisions regarding HRM issues with speed, accuracy and objectivity. He should also be able to streamline the office, set standards of performance, coordinate, control, etc.
- ***Further, the HRM man is expected to have leadership qualities:*** Deep faith in human values, empathy with human problems, visualising future needs of employees, organization, government, trade unions, society, etc.

### ***Experience and training:***

Previous experience is undoubtedly an advantage provided the experience was in an appropriate environment and in the same area. Training in psychological aspects, labour legislations and more specifically in HRM and general management is an additional benefit. Experience is an enterprise in some other executive capacity can also help towards an appreciation of the general management problems and a practical approach in meeting HRM problems.

### ***Professional attitudes:***

Finally, professional attitude is more necessary particularly in the Indian context. The HRM manager's job, as in the case of other managers is getting professionalised. He should have patience and understanding, ability to listen before offering advice. As mentioned earlier, he should have the knowledge of various disciplines like technology, engineering, management, sociology, psychology, philosophy, human physiology, economics, commerce and law. He must be able to combine social



justice with a warm personal interest in people which must be secured by an uncommon degree of common sense.

### **Qualifications**

The job of a HRM manager is quite complex. Meeting the ever-increasing needs, aspirations and expectations of employees is not easy. To complicate the problems further, top management expects the HRM manager to:

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

In union-management relations, the HRM man is expected to absorb the shocks and bring about peace. While discharging the above duties and responsibilities, he is not expected to lose sight of his moral and social obligations towards employees and the general public.

The question of prescribing a set of qualifications for a HRM manager – in view of the above, ever-growing list of roles assumed by HRM people and invites sharp criticism from various quarters. Keeping the diversity and elasticity of the HRM manager's job in mind, educational qualifications may be necessary to achieve success, in addition to the personal attributes already mentioned.

## **2.2.6 Role of HRM Manager**

### **Advisory Role**

It is said that HRM is not a line responsibility but a staff function. The HRM manager performs his functions by advising, suggesting, counseling and helping the line managers in discharging their responsibilities relating to grievance redressal, conflict resolution, employee selection, training, etc. Thus, the HRM manager plays an advisory role in managing men under his care.

### **The Conscience Role**



The HRM manager while playing this role – informs management about the humanitarian approach – towards moral and ethical obligations to its employees.

### **Counselor Role**

The HRM manager discusses the various problems of employees relating to work, career, their supervisors, colleagues, health, and family, financial, social, etc. and suggests them means to minimize and overcome those problems.

### **Mediator's Role**

The HRM manager acts as a mediator in case of friction between two employees, two groups of employees, superiors and subordinates and employees and management so as to maintain industrial harmony.

### **Representative Role**

HRM manager acts as a representative of the organization so as to give an overall picture of the organizational operations to the employees particularly in case of industrial disputes or grievances redressal. Similar, he acts as a workers' representative in representing their problems to management particularly in non-unionized concerns.

### **Clerical Role**

HRM manager plays this role regarding time-keeping, calculation of wages, salary, allowances, incentive compensation, maintenance of records and the like.

### **Fire-fighting/Legal Role**

HRM manager plays this role of grievance handling, settlement of disputes, handling disciplinary cases, collective bargaining, joint consultation, interpretation and implementation of various labour laws, contacting lawyers regarding court cases, filing suits in labour courts, industrial tribunals, civil courts and the like.

### **Welfare Role**





HRM manager is expected to be the Welfare Officer of the company. As a Welfare officer he provides and maintains (on behalf of the company) canteens, hospitals, creches, educational institutes, clubs, libraries, conveyance facilities, co-operative credit societies, consumer stores, etc.

### **Role of a Problem Solver**

HRM manager plays this role regarding various short range and long range problems of the company involving the interests of human resources.

### **Decision-making Role**

HRM manager plays a dominant role in the decision-making process and takes decisions regarding both major and minor issues of the organization involving human resources. He formulates objectives, policies and programmes of HRM.

### **Executive Role**

Once decisions are taken regarding HRM, HRM manager plays a dominant role in executing those decisions, programmes.

## **2.3 Check your Progress**

1. HRM manager plays a dominant role in the .....and takes decisions regarding both major and minor issues of the organization involving human resources.
2. The ..... performs his functions by advising, suggesting, counseling and helping the line managers in discharging their responsibilities relating to grievance redressal, conflict resolution, employee selection, training, etc.
3. Periodic review of ..... is essential to keep in tune with changing times and to avoid organizational complacency or managerial stagnation.
4. .... is a measurement of the cost and value of human resources to the organization.
5. In addition to compensating employees fairly and adequately, for their contributions in the performance of their jobs, organizations, these days, typically pay for a wide variety of supplementary benefits – often called .....



## 2.4 Summary

This lesson introduces the functions and roles of HRM in present day businesses. It discusses the implementation of HRM function through HRM policies, procedures and programmes. A very important aspect of an organization is its structural and design. These line staff relationships in various types of organization structures and the role of HRM is also explained. The qualifications and qualities of a good HRM manager have been also highlighted so that young managers become aware of this field as a career option.

## 2.5 Keywords

- **HRM:** Deals with people at work and their relationships with each other.
- **HRM Policies:** A set of proposals and actions that act as a reference point for managers in their dealings with employees.
- **HRM Procedure:** Action guidelines governing the behavior of employees at work.
- **Employee Counseling:** The process through which employees are given advice in solving their work-related as well as HRM problems.

## 2.6 Self-Assessment Test

1. Discuss the objectives of HRM. Describe the functional and organizational role of HRM manager in achieving the organizational goals.
2. The HRM manager is being paid by management. Is he/she therefore a representative of management or HRM? Discuss in detail.
3. Describe in brief the nature and scope of HRM function in an organization. What are the indicators of its working in an organization?
4. What are the functions of a HRM manager in an industry in a developing country? What steps would you take to ensure that he/she represents the aspirations of HRM while being paid by his/her employer?
5. “Objectives of the HRM always contradict the objectives of the HRM”. Elucidate the statement.



6. What is HRM policy? Describe the important HRM policies that affect the job of a HRM manager.
7. What are the purposes of a HRM programme? Are these purposes solely in the interest of the organization?
8. How the HRM function changes do as a firm grows in size? Briefly describe each stage of development.
9. Identify and discuss the managerial and operative functions of HRM.
10. “Though the HRM policies guide all managers in attaining their goals, their administration is hindered by various factors”. Explain.
11. Explain the coverage of HRM policies. Describe the qualities of a sound HRM policy.
12. Do you agree that in the field of HRM policies, it is important to integrate the various organizational objectives with the desired results through the people in action? Explain.
13. Explain in detail the significance of HRM department in the organizational structure of an industry.
14. Explain the main reasons of friction between line and staff. Suggest means to resolve them.
15. Explain the qualities and qualifications necessary for a HRM manager.

## 2.7 Answers to check your Progress

1. Decision-making process
2. HRM manager
3. HRM policies
4. Human Resource Accounting
5. Fringe Benefits

## 2.8 References/Suggested Readings



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<b>JOB ANALYSIS AND HUMAN RESOURCE PLANNING</b>	

## STRUCTURE

### 3.1 Learning Objectives

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3.3 Check your Progress

3.4 Summary

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### 3.1 Learning Objectives

This lesson highlights basic elements of Job Analysis and Human Resource Planning (HRP). It discusses the importance of job analysis and elaborates the process of job analysis. It describes the basis features and importance of HRP and explains the process of HRP.

After reading this lesson, students will be able to:

- Discuss the importance of job analysis.
- Elaborate the process of job analysis.
- Describe the basis features and importance of HRP.
- Explain the process of HRP.

### 3.2 Introduction

Jobs are important to individuals. They help determine standards of living, places of residence, status and even one's sense of self worth. Jobs are important to organizations because they are means of accomplishing organizational objectives. Traditionally, organizations used to define jobs in a rigid way. The popular view about a job is that what it requires does not change; it is designed to be consistent all through the worker who passes through it. However, jobs are not static. They are subject to change. The same job might be handled differently at different times of the year (e.g., life guards, accountants, ski instructors, actors). The job incumbents might say "I do what I believe is right on the job". The job is what the incumbent makes of it. To understand the dynamic nature of jobs, managers gather



information about jobs from time to time, using various means. A written summary of task needs for a particular job is called a job description and a written summary of people requirements is called a job specification. Together, they comprise a job analysis. *Task* is an identifiable work activity carried out for a specific purpose. For example, typing a letter. *Duty* is several tasks which are related by some sequence of events. For example, pick up, sort out and deliver incoming mail. *Position* is a collection of tasks and duties which are performed by one person. For example, the P.A. to Principal receives visitors, takes dictation, operates computer, answers queries, attends to complaints and helps students. *Job* is a group of positions similar in their significant duties such as technical assistants, computer programmers, etc.

### 3.2.1 Definitions

*Job analysis is a formal and detailed examination of jobs. It is a process of gathering information about a job. It tries to “reduce to words the things that people do in human work”* According to Allen, “planning is a trap laid to capture the future”. As per Richard Henderson the job analysis involves “the identification and precisely identifying the required tasks, the knowledge and the skills necessary for performing them and the conditions under which they must be performed.”

#### **Job Analysis Information**

The job analysis provides the following information:

**Job Identification:** Its title, including its code number.

**Important Characteristics of a Job:** Its location, physical setting, supervision, union jurisdiction, hazards and discomforts.

**What the Typical Worker Does?:** This includes collection of information on specific operations and tasks to be performed by the typical worker including their relative timing and importance, their simplicity, routine or complexity, the responsibility for others, etc.

**Job Duties:** A detailed list of duties along with the probable frequency of occurrence of each duty.

**What Materials and Equipments the Worker Uses?:** Metals, plastics, grains, yarn or lathes, milling machines, testers, punch presses and micrometers.



**How a Job is Done?:** The focus here is on the nature of operations like lifting, handling, cleaning, washing, feeding, removing, drilling, driving, setting up and the like.

**Required Personal Attributes:** These include experience, training undertaken, apprenticeship, physical strength, coordination or dexterity, physical demands, mental capabilities, aptitudes, social skills, etc.

**Job Relationship:** This includes opportunities for advancement, patterns of promotions, essential cooperation, etc.

Job analysis also provides the information relating to mental skills, working conditions, hazards, education, vocational preparation, etc.

### 3.2.2 Uses of Job Analysis

Good personnel management demands both the employee and the employer to have a clear understanding of the duties and responsibilities to be performed on a job. Job analysis helps in this understanding by drawing attention to a unit of work and its linkage with other units of work. More specifically, the uses of job analysis may be summarized thus:

- **Human resource planning:** Job analysis helps in forecasting human resource requirements in terms of knowledge and skills. By showing lateral and vertical relationships between jobs, it facilitates the formulation of a systematic promotion and transfer policy. It also helps in determining quality of human resources needed in an organization.
- **Recruitment:** Job analysis is used to find out how and when to hire people for future job openings. An understanding of the skills needed and the positions that are vacant in future helps managers to plan and hire people in a systematic way. For example, a company might be traditionally hiring MBA students for equity research. A recent job analysis showed that the positions could be filled by graduates with an analytical mind. Now, this would help the company hire equity analysts from a greater number of available graduates by offering even a slightly lesser salary.
- **Selection:** Without a proper understanding of what is to be done on a job, it is not possible to select a right person. If a Super bazaar manager has not clearly identified what a clerk is to do, it is difficult to find if the person selected must be able to position stores items, run a cash register, or keep the account books.





- **Placement and orientation:** After selecting people, we have to place them on jobs best suited to their interests, activities and aptitude. If we are not sure about what needs to be done on a job, it is not possible to identify the right person suited for the job. Similarly, effective job orientation cannot be achieved without a proper understanding of the needs of each job. To teach a new employee how to handle a job, we have to clearly define the job.
- **Training:** If there is any confusion about what the job is and what is supposed to be done, proper training efforts cannot be initiated. Whether or not a current or potential job holder requires additional training can be determined only after the specific needs of the jobs have been identified through a job analysis.
- **Counseling:** Managers can properly counsel employees about their careers when they understand the different jobs in the organization. Likewise, employees can better appreciate their career options when they understand the specific needs of various other jobs. Job analysis can point out areas that an employee might need to develop to further a career.
- **Employee safety:** A thorough job analysis reveals unsafe conditions associated with a job. By studying how the various operations are taken up in a job, managers can find unsafe practices. This helps in rectifying things easily.
- **Performance appraisal:** By comparing what an employee is supposed to be doing (based on job analysis) to what the individual has actually done, the worth of that person can be assessed. Ultimately, every organization has to pay a fair remuneration to people based on their performance. To achieve this, it is necessary to compare what individuals should do (as per performance standards) with what they have actually done (as per job analysis).
- **Job design and redesign:** Once the jobs are understood properly, it is easy to locate weak spots and undertake remedial steps. We can eliminate unnecessary movements, simplify certain steps and improve the existing ones through continuous monitoring. In short, we can redesign jobs to match the mental make-up of employees.
- **Job evaluation:** Job analysis helps in finding the relative worth of a job, based on criteria such as degree of difficulty, type of work done, skills and knowledge needed, etc. This, in turn, assists in designing proper wage policies, with internal pay equity between jobs.



### 3.2.3 Process of Job Evaluation

The major steps involved in job analysis are as follows:

- **Organizational analysis:** First of all an overall picture of various jobs in the organization has to be obtained. This is required to find the linkages between jobs and organizational objectives, interrelationships between jobs and contribution of various jobs to the efficiency and effectiveness of the organization. The required background information for this purpose is obtained through organization charts and workflow charts.
- **Selection of representative positions to be analyzed:** It is not possible to analyze all the jobs. A representative sample of jobs to be analyzed is decided keeping the cost and time constraints in mind.
- **Collection of job analysis data:** This step involves the collection of data on the characteristics of the job, the required behavior and personal qualifications needed to carry out the job effectively. Several techniques are available for collecting such data. Care should be taken to use only reliable and acceptable techniques in a given situation.
- **Preparation of job description:** This step involves describing the contents of the job in terms of functions, duties, responsibilities, operation, etc. The job holder is required to discharge the duties and responsibilities and perform the operations listed in job description.
- **Preparation of job specification:** This step involves conversion of the job description statements into a job specification. Job specification is a written statement of personal attributes in terms of traits, skills, training, experience needed to carry out the job.

Job requirements keep changing with time. Technological advances may demand a new approach to handle job operations. Union agreements may give a greater say in handling certain other responsibilities. The employees' attitude might change. In the past, jobs were designed, taking the view that they would not change. There was no attempt to link changing job requirements with changing attitudes of employees toward work. It is only in late 70's many organizations realized the importance of carrying out frequent job analyses and tune the jobs in-line with the mental make-up of people who handle them – for achieving greater efficiency and higher productivity.



### 3.2.4 Methods of Collecting Job Analysis

A variety of methods are used to collect information about jobs. None of them, however, is perfect. In actual practice, therefore, a combination of several methods is used for obtaining job analysis data. These are discussed below.

- ***Job performance:***

In this method the job analyst actually performs the job in question. The analyst, thus, receives firsthand experience of contextual factors on the job including physical hazards, social demands, emotional pressures and mental requirements. This method is useful for jobs that can be easily learned. It is not suitable for jobs that are hazardous (e.g., fire fighters) or for jobs that require extensive training (e.g., doctors, pharmacists).

- ***Personal observation:***

The analyst observes the worker(s) doing the job. The tasks performed, the pace at which activities are done, the working conditions, etc., are observed during a complete work cycle. During observation, certain precautions should be taken as the analyst must observe average workers during average conditions. The analyst should observe without getting directly involved in the job. The analyst must make sure that he obtains a proper sample for generalization. This method allows for a deep understanding of job duties. It is appropriate for manual, short period job activities. On the negative side, the methods fail to take note of the mental aspects of jobs.

- ***Critical incidents:***

The critical incident technique (CIT) is a qualitative approach to job analysis used to obtain specific, behaviorally focused descriptions of work or other activities. Here the job holders are asked to describe several incidents based on their past experience. The incidents so collected are analyzed and classified according to the job areas they describe. The job requirements will become clear once the analyst draws the line between effective and ineffective behaviors of workers on the job. For example, if a shoe salesman comments on the size of a customer's feet and the customer leaves the store in a huff, the behavior of the salesman may be judged as ineffective in terms of the result it produced. The critical incidents are recorded after the events have already taken place – both routine and non-routine. The



process of collecting a fairly good number of incidents is a lengthy one. Since, incidents of behavior can be quite dissimilar, the process of classifying data into usable job descriptions can be difficult. The analysts overseeing the work must have analytical skills and ability to translate the content of descriptions into meaningful statements.

- ***Interview:***

The interview method consists of asking questions to both incumbents and supervisors in either an individual or a group setting. The reason behind the use of this method is that job holders are most familiar with the job and can supplement the information obtained through observation. Workers know the specific duties of the job and supervisors are aware of the job's relationship to the rest of the organization.

Due diligence must be exercised while using the interview method. The interviewer must be trained in proper interviewing techniques. It is advisable to use a standard format so as to focus the interview to the purpose of analyst. Although the interview method provides opportunities to elicit information sometimes not available through other methods, it has limitations. First, it is time consuming and hence costly. Second, the value of data is primarily dependent on the interviewer's skills and may be faulty if they put ambiguous questions to workers. Last, interviewees may be suspicious about the motives and may distort the information they provide. If seen as an opportunity to improve their positions such as to increase their wages, workers may exaggerate their job duties to add greater weightage to their positions.

- ***Questionnaire method:***

The questionnaire is a widely used method of analyzing jobs and work. Here the job holders are given a properly designed questionnaire aimed at eliciting relevant job-related informations. After completion, the questionnaires are handed over to supervisors. The supervisors can seek further clarifications on various items by talking to the job holders directly. After everything is finalized, the data is given to the job analyst.

The success of the method depends on various factors. The structured questionnaire must cover all job related tasks and behaviors. Each task or behavior should be described in terms of features such as importance, difficulty, frequency, relationship to overall performance. The job holders should be asked



to properly rate the various job factors and communicate the same on paper. The ratings thus collected are then put to close examination with a view to find out the actual job requirements.

Questionnaire method is highly economical as it covers a large number of job holders at a time. The collected data can be quantified and processed through a computer. The participants can complete the items leisurely. Designing questionnaires, however, is not an easy task. Proper care must be taken to see that the respondents do not misinterpret the questions. Further, it is difficult to motivate the participants to complete the questionnaires truthfully and to return them. Some of the standard questionnaires that are being widely used are discussed below.

### **The Position Analysis Questionnaire (PAQ)**

The PAQ is a standardized questionnaire (developed at Purdue University) developed to quantitatively sample work-oriented job elements. It contains 194 items divided into six major divisions. The PAQ permits management to scientifically and quantitatively group interrelated job elements into job dimensions.

### **Management Position Description Questionnaire (MPDQ)**

MPDQ is a standardized instrument designed specifically for use in analyzing managerial jobs. The 274 item questionnaire contains 15 sections. It would take 2 ½ hours to complete the questionnaire. In most cases the respondents are asked to state how important each item is to the position.

- **Functional Job Analysis (FJA)**

FJA is a worker-oriented job analysis approach that attempts to describe the whole person on the job. It tries to examine the fundamental components of “data, people and things”. There are five steps to be followed:

- The first involves the identification of the organization’s goals for the FJA analysis. This analysis describes what should be, as well as, what is.
- The second step is the identification and description of tasks, wherein tasks are defined as actions. The task actions may be physical (operating an electrical typewriter), mental (analyzing data) or interpersonal (consulting another person). The task statements developed in FJA must conform to a specific written format.



- The third step deals with analysis of tasks. Each task is analyzed using 7 scales. These include three worker function scales (data, people, things), a worker instruction scale (degree of supervision imposed) and three scales of reasoning, mathematics and language.
- In the fourth step the analyst develops performance standards to assess the results of a worker's tasks.
- The final step deals with the development of training content needed by the job holder.

FJA is frequently used for government jobs. It provides a quantitative score of each job as a function of its complexity in relationship with people, data and things. The results are helpful in fixing wage rates and in developing employee succession plans. On the negative side, FJA takes a lot of time. Training in its use may mean considerable investment of money.

### Which Method to Follow?

Experts agree that the choice of job analysis method depends upon the purposes to be served by the data. There is no one best way to conduct a job analysis. Wherever possible, multiple methods of job analysis must be followed. A quantitative approach like Position Analysis Questionnaire (PAQ) should be supported by a qualitative approach like Critical Incident Technique (CIT).

### 3.2.5 Impact of Behavioral Factors on Job Analysis

While carrying out the job analysis, managers must take note of certain strong behavioral responses from the employees. Employees may not always like the idea of someone taking a hard look at their jobs. Let's examine the reasons behind such negative responses more closely.

- Employee fears:** Most employees' fear that job analysis efforts may put them in a 'Straight Jacket', limiting their initiative and inability. Another reason for the negative attitude is the feeling that "as long as someone does not know precisely what I am supposed to be doing, then I am safe". A searching examination of jobs may uncover employee faults which might have escaped the employer's attention so far.
- Resistance to change:** When jobs change in tune with changes in technology, there is an urgent need to revise job descriptions and job specifications – to make them more meaningful. This would have a significant impact on the safe and secure job worlds, employees used to live



comfortably. Employees resist such changes because when jobs are redefined, they may have to handle difficult tasks and shoulder painful responsibilities. To ward off such threats, managers must involve employees in the revision process, stating the reasons for incorporating latest changes clearly.

- **Overemphasis on current employees:** Job analysis efforts should not place heavy emphasis on what the employees are currently doing. Some employees may be gifted with unique capabilities and given a chance they may expand the scope of the job and assume more responsibilities. The company may have difficulty in finding someone like that person if he or she were to leave the company. Therefore, “the job description and job specifications should not be merely a description of what the person currently filling the job does”.
- **Management ‘Straight Jacket’:** Job analysis efforts may put managers in a ‘straight jacket’, limiting their freedom to adapt to changing needs from time to time. To avoid this, they may even refuse to appropriately describe what an employee is supposed to do in the company—creating, of course, further confusion in the minds of employees.

### 3.2.6 Job Description

Job description (JD) is a written statement of what the job holder does how it is done, under what conditions it is done and why it is done. It describes what the job is all about, throwing light on job content, environment and conditions of employment. It is descriptive in nature and defines the purpose and scope of a job. The main purpose of writing a job description is to differentiate the job from other jobs and state its outer limits.

Contents: A job description usually covers the following information:

- **Job Title:** Tells about the job title, code number and the department where it is done.
- **Job Summary:** A brief write-up about what the job is all about.
- **Job Activities:** A description of the tasks done, facilities used, extent of supervisory help, etc.
- **Working Conditions:** The physical environment of job in terms of heat, light, noise and other hazards.
- **Social Environment:** Size of work group and interpersonal interactions required to do the job.



### 3.2.7 Job Specification

Job specification summarizes the human characteristics needed for satisfactory job completion. It tries to describe the key qualifications someone needs to perform the job successfully. It spells out the important attributes of a person in terms of education, experience, skills, knowledge and abilities (SKAs) to perform a particular job. The job specification is a logical outgrowth of a job description. For each job description, it is desirable to have a job specification. This helps the organization to find what kind of persons is needed to take up specific jobs. The personal attributes that are described through a job specification may be classified into three categories:

- **Essential attributes:** skills, knowledge and abilities (SKAs) a person must possess.
- **Desirable attributes:** qualifications a person ought to possess.
- **Contra-indicators:** attributes that will become a handicap to successful job performance.

A job specification can be developed by talking with the current job holders about the attributes required to do the job satisfactorily. Opinions of supervisors could also be used as additional inputs. Checking the job needs of other organizations with similar jobs will also help in developing job specifications.

Job specification is useful in the selection process because it offers a clear set of qualifications for an individual to be hired for a specific job. Likewise, a well-written job specification offers a clear picture to new recruits of what they will be doing in the organization. Preparing a job specification is always not easy. Regarding the human resource requirements of a job, there is scope for disagreement. For a clerical job, one bank may demand high school education; another bank may demand the services of graduates or even post graduates. Differences may also crop up when stating an attribute as a 'desirable' or 'essential' qualification. To avoid further confusion as rightly pointed out by Mathis and Jackson, while "writing any job specification, it is important to list only those SKAs essential for job performance."

### 3.2.8 Role Analysis

At operative levels, it is possible to write job descriptions that reflect what workers do while at work. At middle and higher management levels, a clear definition of expected and unexpected job-related





behavior is not possible. Certain aspects of a manager's job (e.g., whether to take decisions in the absence of clear cut information, how to react to situations where workers confront them on the shop floor, whether to hire a person related to the Managing Director, etc.) may defy clear conceptualization. Job analysis, in such cases, may be woefully inadequate to uncover the subtle, informal ways of doing things. It fails to capture the behavioral expectations of various groups (unions, colleagues, superiors, subordinates, general public, etc.) that influence the actions of a job holder. Over a period of time, the roles to be played by a job holder may undergo a complete transformation. Identifying important job related behaviors that may lead to effective performance, under the circumstances, proves to be a difficult exercise.

Role analysis provides a satisfactory answer to this problem. A role is a set of expectations people have about the behavior of person in a position. A position holder may perform three types of roles in day-to-day life; namely the expected role, the perceived role and the actual role. The expected role is what other people expect from a person

Now look at the conflicts that surface when the expectations of role partners remain contradictory. Take the supervisor's job. As a part of the management team, he must have corresponding values and attitudes (oversee the work of workers; do not allow mistakes; punish the deviants, etc.). As a member from the workers' group, he should have their values and attitudes (carry the opinions of workers 'upstairs', redress grievances quickly, etc.). He is expected to wear both the hats gracefully. Such role conflicts occur because of divergent role expectations. To complicate issues further, job description of supervisory role could be dissimilar in two organizations. In one organization supervisors may enjoy lot of freedom and in the other, their hands might be tight. The job description might be the same but the actual roles played by the supervisors in both cases might be totally different! Changes in management philosophy, industrial relations climate, and corporate culture may also affect the roles to be played by job holders in a significant way. It is therefore necessary to supplement the job analysis process with the role analysis to have a clear picture of what the job actually demands.

Role analysis involves the following steps:

- First, the objectives of the department and its functions must be identified.



- Second, the role incumbent is asked to state his key performance areas and his understanding of the roles to be played by him.
- Third, other role partners (boss, subordinate, peers, etc.) are asked to state their expectations from the role incumbent.
- Finally, the incumbent's role is clarified and expressed in black and white (called role description) after integrating the diverse viewpoints expressed by various role partners.

Role analysis brings about greater clarity in roles. The role incumbent knows what he is supposed to do on the job, keeping the perceptions of others about his job in mind. Role clarity, in turn, leads to improved performance on the job.

Over the past few years, the concept of job has been changing quite dramatically. Employees do not like standardized, reutilized operations. They do not like supervisors overseeing their work from close quarters. They want to be consulted on important aspects affecting their work. They want the work to be more meaningful, challenging and interesting. They like to work on jobs with “stretch, pull and challenge”. So the concept of a job having well defined, clearly-delineated set of responsibilities is being increasingly questioned by present-day employees who are more knowledgeable and demanding.

### 3.2.9 Designing Jobs

One of the most important concerns of personnel managers in the past several years has been employee productivity and satisfaction. Personnel managers have realized that an important factor influencing these areas is the type of work handled by the employee. Job design answers the questions of how the job is to be performed, who is to perform it and where it is to be performed. Thus, in a way, job design greatly affects how an employee feels about a job, how much authority an employee has over the work, how much decision-making the employee has on the job and how many tasks the employee has to complete. Managers realize that job design determines their working relationship with their employees and the relationship among employees themselves. Job design refers to the way that tasks are combined to form complete jobs. The early emphasis in management was to design jobs around high specialization and standardization. During the last thirty years, managers have realized the importance



of designing jobs in a novel, interesting way – enhancing employee satisfaction and productivity. Let us examine these approaches briefly.

### **Approaches to Job Design**

There are three important approaches to job design as Engineering approach, Human approach and Job characteristic approach.

#### **Engineering Approach**

The most important single element in the Engineering approaches, proposed by FW Taylor and others, was the task idea, “The work of every workman is fully planned out by the management at least one day in advance and each man receives in most cases complete written instructions, describing in detail the task which he is to accomplish . . . This task specifies not only what is to be done but how it is to be done and the exact time allowed for doing it.” The principles offered by scientific management to job design can be summarized thus:

- Work should be scientifically studied. Taylor advocated fragmentation and reutilization of work to reap the advantages of specialization.
- Work should be arranged so that workers can be efficient.
- Employees selected for work should be matched to the demands of the job.
- Employees should be trained to perform the job.
- Monetary compensation should be used to reward successful performance of the job.

These principles to job design seem to be quite rational and appealing because they point towards increased organizational performance. Specialization and reutilization over a period of time result in job incumbents becoming experts rather quickly, leading to higher levels of output. Despite the assumed gains in efficiency, behavioral scientists have found that some job incumbents dislike specialized and routine jobs.

**Problems with Engineering Approach:** After listening to several complaints from employees about their highly specialized jobs, Walker and Guest indicated the problems with job specialization thus:



- a. ***Repetition:*** Employees performed a few tasks repeatedly. This quickly led the employees to become very bored with the job. There was no challenge to the employees to learn anything new or to improve the job.
- b. ***Mechanical pacing:*** Assembly line workers were made to maintain a certain regular pace of work. They could not take a break when they needed to, or simply divert their attention to some other aspect of the job or another individual.
- c. ***No end product:*** Employees found that they were not turning out any identifiable end product; consequently, they had little pride and enthusiasm in their work.
- d. ***Little social interaction:*** Employees complained that because the assembly line demanded constant attention, there was very little opportunity to interact on a casual basis with other employees and share their work experiences, beliefs and sentiments.
- e. ***No input:*** Employees also complained that they had little chance to choose the methods by which they performed their jobs, the tools which they used, or the work procedures. This, of course, created little interest in the job because there was nothing which they could improve or change.

### Human Relations Approach

The human relations approach recognized the need to design jobs in an interesting manner. In the past two decades much work has been directed to changing jobs so that job incumbents can satisfy their needs for growth, recognition and responsibility. Herzberg's research popularized the notion of enhancing need satisfaction through what is called job enrichment. One widely publicized approach to job enrichment uses what is called job characteristics model and this has been explained separately in the ensuing section.

According to Herzberg there are two types of factors, viz. (i) motivators like achievements, recognition, work itself, responsibility, advancement and growth and (ii) hygiene factors (which merely maintain the employee on the job and in the organization) like working conditions, organizational policies, inter-personnel relations, pay and job security. According to Herzberg, the employee is dissatisfied with the job if maintenance factors to the required degree are not introduced into the job. But, the employee may



not be satisfied even if the required maintenance factors are provided. Herzberg feels that the employee will be satisfied with his job and he will be more productive if motivators are introduced into the job content. As such, he asserts that the job designer has to introduce hygienic factors adequately to reduce dissatisfaction and build motivating factors. Thus, Herzberg has put emphasis on the psychological needs of the employees in designing jobs.

### **The Job Characteristics Approach**

Hackman and Oldham stated that employees will work hard when they are rewarded for the work they do and when the work gives them satisfaction. Hence, they suggest that motivation, satisfaction and performance should be integrated in the job design. According to this approach, any job can be described in terms of five core job dimensions which are defined as follows:

- ***Skill variety:*** The degree to which the job requires that workers use a variety of different activities, talents and skills in order to successfully complete the job requirements.
- ***Task identity:*** The degree to which the job allows workers to complete whole tasks from start to finish, rather than disjointed portions of the job.
- ***Task significance:*** The degree to which the job significantly impacts the lives of others both within and outside the workplace.
- ***Autonomy:*** The degree to which the job allows workers freedom in planning and scheduling and the methods used to complete the job.
- ***Feedback:*** The degree to which the job itself provides workers with clear, direct and understandable knowledge of their performance.

The job dimensions impact workers psychologically. Ironically, the main feature of the job characteristics design method – its intrinsic psychological motivation – may be its biggest drawback. Supervisors attempting to apply these principles may discover that for many employees these psychological states are unimportant. In fact, research to date indicates that some employees respond exceedingly well to jobs redesigned according to job characteristic dimensions, whereas for others, it has no discernible impact.

### **Socio-technical Systems Approach**



The socio-technical systems method is the design of work systems that foster a meshing of the technical and social aspects of jobs. In order to create jobs which have this supportive relationship, work teams not individual jobs, must be studied. Jobs in the traditional sense are non-existent and instead, each worker plays an assigned role in accomplishing the group's objectives. Redesigning work through socio-technical systems methods requires the combined efforts of employees, supervisors and union representatives in analyzing significant job operations. Jobs are not necessarily designed to be intrinsically motivating; rather, they are designed so that the work is accomplished. As in scientific management, a supervisor's goal is to ensure that the organization's objectives are met. However, this is accomplished by concentrating only on critical job aspects, by forming work teams consisting of members who have the necessary qualifications to accomplish the tasks and by allowing work groups the autonomy to manage their own work process.

The thrust of the socio-technical approach to job design is that both the technical system and the accompanying social system should be considered when designing jobs. According to this concept, jobs should be designed by taking a 'holistic' or 'systems' view of the entire job situation, including its physical and social environment.

### **Work Scheduling**

Another aspect of job design which has received great attention in the recent past is the scheduling of work hours. The increase in the workforce of dual-career couples with children and the increased realization by employees that production needs may be better served by varied schedules, have been largely responsible for the shift in work week scheduling.

The requirements of balancing work shifts with family and other personal demands, for example, can make work a difficult endeavor for many people. A manager should recognize at least five alternatives to the traditional 8-hour per day/5 days per week work schedule, the compressed work week, flexible working hours, job sharing and part-time work. Each of these approaches shares a common concern for making the work day and its time requirements more compatible with individual needs and non-work activities.

#### ***Compressed work-week:***



A compressed work-week is any scheduling of work that allows a full-time job to be complete in fewer than the standard five days. The most common form of compressed work week is the “4-40”, that is, 40 hours of work accomplished in four 10-hour days. This added time off is the source of most benefits associated with compressed work-week plans. The individual often benefits from increased leisure time, more 3-day weekends, free weekdays to pursue personal business and lower commuting costs. The organization can benefit, too, in terms of reduced energy consumption during 3-day shutdowns, lower employee absenteeism, improved recruiting of new employees and having extra time available for building and equipment maintenance. The disadvantages may include increased fatigue from the extended workday and family adjustment problems for the individual and increased work scheduling problems and possible customer complaints due to breaks in work coverage for the organization. Possible constraints on utilization of compressed work-week schedules include occasional union opposition and laws that require some organizations to pay overtime for work that exceeds 8 hours of individual labour in any one day.

***Flexible working hours (Flexi time):*** Flexi time may be defined as “any work schedule that gives employees daily choice in the timing between work and non-work activities”. Employees are required to work four hours of ‘core’ time. They are then free to choose their remaining four hours of work from among flexible time blocks. Flexible working hours, or ‘flexi time’, increases individual autonomy in work scheduling. Early risers may choose to come in early and leave at 4 P.M.; late sleepers may choose to start at 10 A.M. and leave at 6 P.M. In between these two extremes are opportunities to attend to such personal affairs as dental appointments, home emergencies, visiting the bank and so on. There are several types of flexi time schedules which vary according to the amount of scheduling flexibility that is allowed. These include:

- **Flexi tour:** Workers choose starting and stopping times, which must be adhered to for a set period of time, from among lists provided by the organization.
- **Gliding time:** Workers may vary their starting and finishing times daily, but must work a set number of hours per day.
- **Variable working hours:** Workers are free to choose hours irrespective of core time, provided they contract a set number of hours with their supervisors.



- **Maxi flex:** Workers have the freedom to vary their hours daily irrespective of core times. Maxi flex is similar to a compressed work week.
- **Flexi place:** Workers may work part of the time outside the workplace, such as home.

Like other alternative work scheduling systems, flexitime has both benefits and disadvantages. Workers find that the flexibility afforded them under flexitime systems increases the amount of time they can spend together with their families, it allows the scheduling of work hours to avoid commuting difficulties and it provides feelings of control over the working environment. For employers, flexitime provides ease of scheduling, reduced overtime costs, higher productivity because of increase in morale. It is an effective recruiting tool.

### ***Job sharing:***

Another alternative work schedule is job sharing. This occurs when one full-time job is assigned to two persons who then divide the work according to agreements made between themselves and with the employer. Job sharing often occurs where each person works one half-day, although it can also be done on such bases as weekly or monthly sharing arrangements. Organizations can benefit from job sharing when they are able to attract talented people who would otherwise be unable to work.

### ***Part-time work:***

There is another work schedule of increasing prominence and controversy in the United States. Part-time work is done on a schedule that classifies any employee as 'temporary' and requires less than the standard 40-hour work-week. It is estimated that as many as 12 million people, or 13 per cent of American workers do part-time work. Some 70 per cent of them are females. Part-timers are usually easy to release and hire as needs dictate. Because of this, many organizations use part-time work to hold down labour costs and help smooth out peaks and valleys in the business cycle. Part-time work provides benefits both to employers and to society. Employers find that the use of part-time employees allows for greater flexibility in scheduling, more accurate matching of the work force to the workload and substantial cost saving because part-time worker usually receives no voluntary benefits. Society benefits because involuntary unemployment, consequently the draw on social welfare benefits, are reduced by providing opportunities to workers who would otherwise be unable to obtain employment.





The major disadvantage to part-time work is felt by employers in increased costs and union opposition. Benefits mandated by the government, such as unemployment compensation and social security, must be paid for each worker regardless of his or her working status. Consequently, several part-time employees fulfilling the job of one full time worker may be more costly in benefit administration. Finally, unions sometimes object to the use of part-time employees because it reduces the job opportunities available for their members.

### Techniques for Job Design

Basically, there are four techniques used in the design of jobs. These include Job simplification, Job enlargement, Job enrichment and Job rotation.

- **Job Simplification**-Job simplification is a design method whereby jobs are divided into smaller components and subsequently assigned to workers as whole jobs. Simplification of work requires that jobs be broken down into their smallest units and then analyzed. Each resulting sub-unit typically consists of relatively few operations. These subunits are then assigned to the workers as their total job. There appears to be two major advantages in using job simplification. First, since the job requires very little training, they can be completed by less costly unskilled labour. Second, job speed increases because each worker is performing only a small portion of the previously large job and thus is able to master a smaller, less complicated job unit. On the negative side, job simplification results in workers experiencing boredom, frustration, alienation, lack of motivation and low job satisfaction. This, in turn, leads to lower productivity and increased cost.
- **Job Enlargement**-Job enlargement expands job horizontally. It increases job scope; that is, it increases the number of different operations required in a job and the frequency with which the job cycle is repeated. By increasing the number of tasks an individual performs, job enlargement, increases the job scope, or job diversity. Instead of only sorting the incoming mail by department, for instance, a mail sorter's job could be enlarged to include physically delivering the mail to the various departments or running outgoing letters through the postage meter.



- Efforts at job enlargement have met with less than enthusiastic results. As one employee who experienced such a redesign on his job remarked, “Before I had one lousy job. Now, through enlargement, I have three!”. So while job enlargement attacks the lack of diversity in overspecialized jobs, it has done little to provide challenge or meaningfulness to workers’ activities.
- **Job Rotation**-Job rotation refers to the movement of an employee from one job to another. Jobs themselves are not actually changed; only the employee is rotated among various jobs. An employee who works on a routine job moves to work on another job for some hours/days/months and returns back to the first job. This measure relieves the employee from the boredom and monotony, improves the employee’s skills regarding various jobs and prepares worker’s self-image and provides personal growth. However, frequent job rotations are not advisable in view of their negative impact on the organization and the employee.
- **Job Enrichment**-Job enrichment, as it is currently practiced in industry, is a direct outgrowth of Herzberg’s Two Factor Theory of motivation. It is, therefore, based on the assumption that in order to motivate personnel, the job itself must provide opportunities for achievement recognition, responsibility, advancement and growth. The basic idea is to restore to jobs the elements of interest that were taken away under intensive specialization. Job enrichment tries to embellish the job with factors that Herzberg characterized as motivators: achievement, recognition, increased responsibilities, opportunities for growth, advancement and increased competence. There is an attempt to build into jobs a higher sense of challenge and achievement, through vertical job loading. “Enrichment means building challenge and achievement into workers’ jobs by changing their jobs’ content – letting them order and inspect their own goods, schedule their own day and so forth”

### 3.2.10 MEANING OF HUMAN RESOURCE PLANNING

Finding the right man for the right job and developing him into an effective team member is an important function of every manager. Human resources are alone capable of enlargement, i.e., capable of producing an output that is greater than the sum of inputs. In order to harness the human energies in the service of organizational goals, every manager is expected to pay proper attention to recruitment, selection and training activities in an organization. Proper promotional avenues must also be created so



as to motivate people to peak performance. All these things, however, do not come by easily. It requires thorough planning and a certain amount of zeal and commitment to convert the rhetoric into concrete action.

Human resource is an important corporate asset and the overall performance of companies depends upon the way it is put to use. In order to realize company objectives, it is essential to have a manpower plan. Manpower Planning or Human Resource Planning is essentially the process of getting the right number of qualified people into the right job at the right time. It is a system of matching the supply of people (existing employees and those to be hired or searched for) with openings the organization expects over a given time frame. Human Resource Planning (HRP) is a forward looking function. It tries to assess manpower requirements in advance keeping the production schedules, market fluctuations, demand forecasts, etc., in the background. The manpower plan is subject to revision, of course, and is tuned to the requirements of an organization from time to time. It is an integral part of the overall corporate plan and reflects the broad thinking of management about manpower needs within the organization. The focus of the plan is always on getting right number of qualified people into the organization at the right time. To this end, manpower plans are prepared for varying time periods, i.e., short term plans covering a time frame of 2 years and long term plans encompassing a period of 5 or more years.

### 3.2.11 HRP Objectives

The basic purpose of having a manpower plan is to have an accurate estimate of the number of employees required, with matching skill requirements to meet organizational objectives. It provides information about the manner in which existing personnel are employed, the kind of skills required for different categories of jobs and manpower needs over a period of time in relation to organizational objectives. It would also give an indication of the lead time that is available to select and train the required number of additional manpower. More specifically, manpower planning is required to meet the following objectives:

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



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

### 3.2.12 Importance of HRP

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

- **Reservoir of Talent-**The organization can have a reservoir of talent at any point of time. People with requisite skills are readily available to carry out the assigned tasks.
- **Prepare People for Future-**People can be trained, motivated and developed in advance and this helps in meeting future needs for high-quality employees quite easily. Likewise, manpower shortages can also be met comfortably (when people quit the organization for various reasons) through proper human resource planning.
- **Expand or Contract-**If the organization wants to expand its scale of operations, it can go ahead easily. Advance planning ensures a continuous supply of people with requisite skills who can handle challenging jobs easily.
- **Cut Costs-**Planning facilitates the preparation of an appropriate manpower budget for each department or division. This, in turn, helps in controlling manpower costs by avoiding shortages/excesses in manpower supply. The physical facilities such as canteen, quarters, school, medical help, etc., can also be planned in advance.



### 3.2.13 HRP at Different Levels

Different institutions make HRP at different levels for their own purposes, of which national level, sectoral level, industry level, unit level, departmental level and job level are important.

- **National level:** Generally government at the centre plan for human resources at the national level. It forecasts the demand for and supply of human resource, for the entire nation.
- **Sectoral level:** Manpower requirements for a particular sector like agricultural sector, industrial sector or tertiary sector are projected based on the government policy, projected output/operations, etc.
- **Industry level:** Manpower needs of a particular industry like cement, textile, chemical are predicted, taking into account the output/operational level of that particular industry.
- **Unit level:** This covers the estimation of human resource needs of an organization or company based on its corporate/business plan.
- **Departmental level:** This covers the manpower needs of a particular department in a company.
- **Job level:** Manpower needs of a particular job family within a department, like Mechanical Engineer, are forecasted at this level.

### 3.2.14 Process of HRP

There is no single right approach to HRP. As pointed out by Keith Davis, “all organizations should identify their short-run and long-run employee needs by examining their corporate strategies.” Short range plans point out job openings that must be filled over a one-year time frame and long range plans estimate HR needs over a three-to-five year time period. Each organization must find a blend of practices that work within the company culture and the realities of business.

#### Forecasting the Demand for Human Resources

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

**External challenges:** These challenges are:



- **Economic developments:** Liberalization, opening up of banking sector, capital market reforms, the on-line trading systems have created huge demand for finance professionals during 1990-1995 in India.
- **Political, legal, social and technical changes:** The demand for certain categories of employees and skills is also influenced by changes in political, legal and social structure in an economy. Likewise, firms employing latest technology in construction, power, automobiles, software, etc., have greatly enhanced the worth of technicians and engineers during the last couple of years. Technology, however, is a double-edged weapon and hence, its impact on HR plans is difficult to predict. For example, computerisation programme in Banks, Railways, Post and Telegraph Departments may reduce demand in one department (book keeping, for example) while increasing it in another (such as computer operations). High technology with all its attendant benefits may compel organizations to go lean and downsize workforce suddenly. Employment planning under such situations becomes complicated.
- **Competition:** Companies operating in fields where a large number of players are bent upon cutting each other's throat (with a view to enhance their market shares) often reduce their workforce. Competition is beneficial to customers but suicidal for companies operating on thin margins. Such companies have to necessarily go 'lean' by reducing their workforce (e.g., Bata, Philips, Tisco, etc.). On the other hand, companies that are doing well and progressing smoothly (e.g., HLL, Proctor & Gamble, CIPLA, Ranbaxy) will always look for people with critical skills.
- **Organizational decisions:** The organizations strategic plan, sales and production forecasts and new ventures must all be taken into account in employment planning. If Britannia Industries Ltd expects higher demand for biscuits and bread, the long-term HR plan must take this into consideration. Likewise, if it tries to venture into other lucrative fields such as milk based products, confectionery items the demand for people possessing requisite skills in those areas in the next couple of years should be looked into carefully.
- **Workforce factors:** Demand is modified by retirements, terminations, resignations, deaths and leaves of absence. Past experience, however, makes the rate of occurrence of these actions by employees fairly predictable.



### *Forecasting techniques*

The manpower forecasting techniques commonly employed by modern organizations are given below:

- **Expert forecasts:** In this method, managers estimate future human resource requirements, their experiences and judgments to good effect.
- **Trend analysis:** HR needs can be forecast through projecting past trends. Past rates of change can be projected into the future or employment growth can be estimated by its relationship with a particular index.
- **Workforce analysis:** The average loss of manpower due to leave, retirement, death, transfer, discharge, etc., during the last 5 years may be taken into account. The rate of absenteeism and labour turnover should also be taken into account. The nature of competition say from foreign banks, other non-banking financial institutions may also be considered here to find out actual requirements in a year While some of the interchanges and external supply could be predicted (growth opportunities, promotions, transfers, retirements, etc.) others are not so easy to predict. Past experience and historical data may help bank managers in this regard.
- **Work load analysis:** The need for manpower is also determined on the basis of work-load analysis, wherein the company tries to calculate the number of persons required for various jobs with reference to a planned output – after giving weightage to factors such as absenteeism, idle time, etc. While determining manpower requirements through work load analysis commercial banks may have to take the following factors into consideration: (i) the number of vouchers to be handled by an employee; (ii) the amount of deposits and advances per employee; (iii) special requirements in respect of managing extension counters, currently chests, mobile branches, etc.; (iv) future expansion plans of the bank concerned. Managerial judgment, a study of the past trends may serve as a useful guide in this regard. Statistical and econometric models may also be pressed into service, sometimes, depending on the requirement(s).
- **Job analysis:** Job analysis helps in finding out the abilities or skills required to do the jobs efficiently. A detailed study of jobs is usually made to identify the qualifications and experience required for them. Job analysis includes two things: Job description and job specification. Job description, thus, is a factual statement of the duties and responsibilities of a specific job. It gives an indication of what is to be done, how it is to be done and why it is to be done. Job



specification provides information on the human attributes in terms of education, skills, aptitudes and experience necessary to perform a job effectively.

### **Preparing Manpower Inventory (Supply Forecasting)**

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

**Internal Sources:** A profile of employees in terms of age, sex, education, training, experience, job level, past performance and future potential should be kept, ready for use whenever required. Requirements in terms of growth/diversification, internal movement of employees (transfer, promotions, retirement, etc.) must also be assessed in advance.

The possibilities of absenteeism and turnover should be kept in mind while preparing the workforce analysis. Through replacement charts or succession plans, the organization can even find out the approximate date(s) by which important positions may fall vacant. Frequent manpower audits may be carried out to find out the available talent in terms of skills, performance and potential.

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

The supply of manpower, thus, may be obtained from internal or external sources. Generally speaking, this step is influenced by various internal as well as external factors. The existing number of personnel and their skills (from manpower inventory) are compared with the forecasted manpower needs (demand forecasting) to determine the quantitative and qualitative gaps in the workforce. A reconciliation of demand and supply forecasts will give us the number of people to be recruited or made redundant as the case may be.





### Manpower Plan: Strategies

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

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

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

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

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

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

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

Manpower planning may be undertaken on a short term or long term basis. Short-term manpower planning is done to find a temporary match between the existing individuals and the existing jobs. It aims at quick removal of anomalies in posting and placements. It tries to take care of the immediate requirements. Usually, there are three problems in the short run: the weak incumbent, the strong incumbent and an unexpected vacancy. The following steps need to be taken in short term manpower planning: (i) Identify the weak and strong incumbents. Weak ones fall short of their job needs; strong ones exceed their job needs (ii) Set the anomalies right. In case of weak incumbents, this can be done by assigning difficult parts of their jobs to others; improving them through short term training and replacing them by other individuals. In the case of strong ones, the anomaly can be set right by giving



them more skilled and difficult jobs. They may be asked to assume higher positions and handle a difficult job. The contents of the job may be increased. In the final step every organization has to think of persons who can be given additional charge of posts falling unexpectedly vacant due to sudden death, resignation or transfer of the original incumbent. Long term manpower planning is done to find a proper match between the future jobs and their future incumbents. They are prepared for a period of 5 years or more. In the long run it is quite possible to develop managerial talent for existing as well as new jobs. The process of long term manpower planning has been explained in detail in the previous sections.

Top level executives are responsible for manpower planning as it is one of the important factors influencing the success of an organization. The plans are usually prepared by the Human Resource Division in consultation with other corporate heads. The responsibility and accountability for manpower aspects of various divisions is on their respective heads. They should undertake their own appraisals of future needs in such a way as to provide a concrete basis for organization-wide forecasting and planning. The Human Resource Division must offer counsel and advice to various divisional heads and coordinate the various manpower estimates from time to time.

### 3.3 Check your Progress

- 1..... be set up to find out deficiencies, periodic updating of manpower inventory, in the light of changing circumstances, be undertaken to remove deficiencies and develop future plans.
2. .... is a system of matching the supply of people (existing employees and those to be hired or searched for) with openings the organization expects over a given time frame.
3. .... is a design method whereby jobs are divided into smaller components and subsequently assigned to workers as whole jobs.
4. The .....is a qualitative approach to job analysis used to obtain specific, behaviorally focused descriptions of work or other activities. Here the job holders are asked to describe several incidents based on their past experience.
5. ....is required to find the linkages between jobs and organizational objectives, interrelationships between jobs and contribution of various jobs to the efficiency and effectiveness of the organization.



### 3.4 Summary

Human resource planning is one of the most important functions of HR managers, especially in the present context. Its importance lies in the fact that it is a process in itself and not an individual event. The unit deals with this process and outlines different types of manpower plans. HR practices in India and effective manpower planning is also discussed.

One of the most critical aspects of manpower planning is job analysis. It relates to a formal and detailed examination of jobs. The unit introduces us to the process of job analysis and deals with concepts such as job description, job specification, job enrichment, role analysis and job design. Each of these components aims to meet the ultimate organizational objective of effective utilization of human assets. Generally, organizations employ these in combination in their processes.

### 3.5 Keywords

- **PAQ:** Position Analysis Questionnaire
- **MPDQ:** Management position description questionnaire
- **Job Design:** The way the tasks are combined to form a complete job.
- **Job Simplification:** Here a complete job is broken down into small parts, normally covering a few operations.
- **Job Enrichment:** The conscious upgrading of responsibility, scope and challenge in the contents of a job handled by an employee.
- **Job Enlargement:** Involves increasing the number of tasks performed by each employee

### 3.6 Self-Assessment Test

- 1) Distinguish between job analysis, job description, job specification and role analysis.
- 2) What is job analysis? Describe the techniques used for analyzing jobs.
- 3) What is job description? Describe its features. How would you prepare a job description? Explain through an example.
- 4) Distinguish between job description and job specification. What precautions should be taken while preparing them?



- 5) Construct a form for a sample job description. Why is a job description necessary before developing a job specification?
- 6) “Job analysis is the most basic personnel activity”. Discuss. Briefly describe four common methods of analyzing jobs.
- 7) How does human behavior affect the job analysis process? Describe the usefulness of Role Analysis Technique.
- 8) Why is the design of work an important issue for a manager to be concerned about?
- 9) What is Scientific Management and why has it been so influential in designing jobs?
- 10) Describe the relationship between the core job characteristics and the three psychological states in the Hackman and Oldham’s Job Characteristics Model.
- 11) How to enrich a job effectively? Outline the merits and demerit of Job Enrichment briefly.
- 12) Outline the steps involved in the Human Resource Planning process.
- 13) Why is HR Planning more common among large organizations than among small ones? What are the advantages of HR planning for large organizations?

### 3.7 Answers to check your Progress

1. Control points
2. Human Resource Planning
3. Job simplification
4. Critical incident technique (CIT)
5. Organizational Analysis

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<b>RECRUITMENT METHODS AND STRATEGIES</b>	

## STRUCTURE

### 4.1 Learning Objectives

### 4.2 Introduction

#### 4.2.1 Situational Audit for Recruitment

#### 4.2.2 Sources of Recruitment

#### 4.2.3 Methods of Recruitment

### 4.3 Check your Progress

### 4.4 Summary

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### 4.8 References/Suggested Readings

## 4.1 Learning Objectives

This chapter highlights the basic elements of recruitment and its strategies. It describes the situational audit for recruitment. It explains operative sources of recruitment. It identifies the methods of recruitment.



After reading this lesson, students will be able to:

- Describe the situational audit for recruitment
- Explain the sources of recruitment
- Identify the methods of recruitment

## 4.2 Introduction

The human resources are the most important assets of an organization. The success or failure of an organization is largely dependent on the caliber of the people working therein. Without positive and creative contributions from people, organizations cannot progress and prosper. In order to achieve the goals or the activities of an organization, therefore, we need to recruit people with requisite skills, qualifications and experience. While doing so, we have to keep the present as well as the future requirements of the organization in mind.

Recruitment is a 'linking function' – joining together those with jobs to fill and those seeking jobs. It is a 'joining process' in that it tries to bring together job seekers and employer with a view to encourage the former to apply for a job with the latter.

The basic purpose of recruiting is to develop a group of potentially qualified people. To this end, the organization must communicate the position in such a way that job seekers respond. To be cost effective, the recruitment process should attract qualified applicants and provide enough information for unqualified persons to self-select themselves out. It has close relationship with other Activities such as job analysis, human resource planning and the selection process.

- **Job analysis:** Indicates the nature and requirements of specific jobs.
- **Human resource planning:** Determines the specific number of jobs that are to be filled.
- **Selection:** Indicates the individual who is most suited for the job from a pool of qualified candidates.

## Inducements

Organizational inducements are all the positive features and benefits offered by an organization that serve to attract job applicants to the organization. Three inducements need special mention here:



- **Compensation:** Starting salaries, frequency of pay increases, incentives, and fringe benefits can all serve as inducements to potential employees.
- **Career opportunities:** These help present employees to grow personally and professionally and also attract good people to the organization. The feeling that the company takes care of employee career aspirations serves as a powerful inducement to potential employees.
- **Image or reputation:** Factors that affect an organization's reputation include its general treatment of employees, the nature and quality of its products and services and its participation in worthwhile social endeavors.

### Constraints

If a firm has a poor image in the market, many of the prospective candidates may not even apply for vacancies advertised by the firm. If the job is not attractive, qualified people may not even apply. Any job that is viewed as boring, hazardous, anxiety-producing, low-paying, or lacking in promotion potential seldom will attract a qualified pool of applicants. Recruiting efforts require money. Sometimes because of limited resources, organizations may not like to carry on the recruiting efforts for long periods of time, this can, ultimately, constrain a recruiter's effort to attract the best person for the job. Governmental policies often come in the way of recruiting people as per the rules of the company or on the basis of merit/seniority, etc. For example, reservations to special groups (such as scheduled castes, scheduled tribes, backward castes, physically handicapped and disabled persons, ex-servicemen, etc.) have to be observed as per Constitutional provisions while filling up vacancies in government corporations, departmental undertakings, local bodies, quasi-government organizations, etc.

### 4.2.1 Situational Audit for Recruitment

Recruitment provides employees, the most productive of all resources, to an organization. This has two important aspects: the first is to find out the number of vacancies to be notified and the type of applicants needed to fill them; the second is to appeal to potential applicants through novel advertising, to apply for such vacancies. Both the steps are, thus, closely related to the environment (economic, social, technological and political) in which the company operates. No organization is likely to recruit successfully without taking care of these aspects.





### **The Economic Environment**

Economic conditions quietly influence the recruitment process in all organizations. The sudden boom in the financial services sector in India, especially from 1991 onwards, has contributed to the growing demand for MBA/CA/CFA/CWA students. The demand for engineers, especially in the manufacturing sector, has not kept pace and most engineers had to make a beeline for finance/ marketing degrees or diploma to encase the job opportunities. Companies had to resort to extensive advertising (newspaper ads, media ads, campus recruitment, search firms, employee referrals, contractors, etc.) for hiring people with specific fund-management skills in a big way. However, by the late 90s the rules of the game have changed completely. Recession in almost all sectors – barring software and pharmaceutical sectors – has forced companies to cut down their recruitment costs drastically, by resorting to less expensive media advertising only.

### **The Social Environment**

Major social changes in the past two decades have caused organizations to place increased emphasis on recruitment. Modern employees look for a satisfying career in place of ‘just a job’. If the opportunities for career growth are missing in an organization, they do not hesitate to leave and go in search of greener pastures outside. To ward off such threats, companies nowadays emphasize opportunities for training and development and progression through a series of jobs within the same organization. They also try to present a more realistic picture of the job and the encouraging career openings to prospective employees through innovative recruitment campaigns. If the organization is not aware of and is insensitive to prevailing social values and norms, the recruitment efforts could go off the track. The Securities Scam (1992) has also brought considerable bad publicity to scam-linked banks, financial institutions and companies. Subsequent enquiries and investigations made many employees to leave the parent companies and seek employment elsewhere. Major employers that manufactured ammunitions and supplies for the Vietnam War faced strong resistance during that period from college students.

### **The Technological Environment**

New technologies create new jobs. The existing jobs undergo a rapid change. As a result, applicants with unusual combination of skills and knowledge must be found. The Liberalization Programme after 1991 brought about rapid changes in the fields of banking, electronics, telecommunications,



automobiles, software and pharmacy industries, etc. Several old jobs have disappeared almost suddenly. At the same time, there is a chronic shortage of people with requisite skills and knowledge especially in the fields of software, telecommunication, insurance, etc. In such a scenario, companies have to step up their recruitment efforts to compete successfully for a small number of suitable candidates.

### **The Political Environment**

In the late 80s “equal employment opportunity” has become a major slogan in corporate circles. Companies have realized that employment need must be defined in terms of ability to perform the job, not in terms of race, colour, religion, sex or national origin. Phrases such as “only men need apply”; and “age 25-35 group preferred” no longer appeared in advertisement for job vacancies. Organizations have taken a number of steps to find and attract women and minority applicants (e.g., advertisements in related journals; sending recruitment teams to women’s college; college run by minority group, etc.). Political compulsions, constitutional provisions covering reservations for special groups, providing employment to “sons of the soil” especially in states like Andhra Pradesh, Tamilnadu, Arunachal Pradesh; offering jobs to displaced persons whose lands have been acquired in order to set up projects of national importance – also come in the way of recruiting people, based solely on qualifications, skills and experience. Factors such as influence of unions, recommendations of friends and relatives of management also play an important role in influencing recruitment policies followed by a firm.

### **The Legal Environment**

The different legislative policies governing child labour, night shift work, bonded labour, contract labour, reservation, ‘sons of the soil’ have brought the legal environment to be a major item to be looked into carefully by all companies intending to recruit people for various positions. Let’s examine these issues more elaborately:

- ***The Factories Act, 1948:*** The Act prohibits the employment of women (night work, underground work, carrying heavy loads, etc.) and child labour (below 14 years of age) in certain jobs.
- ***The Apprentices Act, 1961:*** The Act provides for a machinery to lay down syllabi and specify period of training, mutual obligations of apprentices and employees, etc. The responsibility for engagement of apprentice lies solely with the employer. The apprentice, after serving a



contractual term of training, can be taken on regular rolls. The Act, as amended in 1986, provides for revised rates of compensation during the apprenticeship period and for failure on the part of the employer to execute the terms of the contract.

- ***The Employment Exchanges Act, 1959:*** The Act requires all employers to notify the vacancies arising in their establishments to prescribed employment exchange before they are filled. The Act covers all establishments in Public Sector and nonagricultural establishments employing 25 or more workers in the private sector.
- ***The Contract Labour Act, 1970:*** The Act is applicable to every establishment (contractor) employing 20 or more persons. It tries to regulate the employment conditions of contract labour in certain establishments and also provides for the abolition of contract labour in certain circumstances.
- ***Bonded Labour System (Abolition) Act, 1976:*** The Act provides for the abolition of bonded labour (system of forced labour to liquidate debts payable to parties who are bent on exploiting the vulnerability of the victim) or his family members.
- ***The Child Labour Act, 1986:*** The Act prohibits the employment of children below 14 years of age in certain employments. This has become a serious issue in India recently when German firms refused to accept carpets exported from Uttar Pradesh, objecting to the employment of child labour in the carpet industry.

#### 4.2.2 Sources of Recruitment

The sources of recruitment may be broadly divided into two categories: internal sources and external sources. Both have their own merits and demerits. Let's examine these.

##### Internal Sources

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

##### External Sources



External sources lie outside an organization. Here the organization can have the services of: (a) Employees working in other organizations; (b) Job aspirants registered with employment exchanges; (c) Students from reputed educational institutions; (d) Candidates referred by unions, friends, relatives and existing employees; (e) Candidates forwarded by search firms and contractors; (f) candidates responding to the advertisements, issued by the organization; and (g) Unsolicited applications/walk-ins.

### 4.2.3 Methods of Recruitment

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

#### Internal Methods

- **Promotions and Transfers**

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

- **Job Posting**

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

- **Employee Referrals**

Employee referral means using personal contacts to locate job opportunities. It is a recommendation from a current employee regarding a job applicant. The logic behind employee referral is that “it takes



one to know one”. Employees working in the organization, in this case, are encouraged to recommend the names of their friends working in other organizations for a possible vacancy in the near future. In fact, this has become a popular way of recruiting people in the highly competitive Information Technology industry nowadays. Companies offer rich rewards also to employees whose recommendations are accepted – after the routine screening and examining process is over – and job offers extended to the suggested candidates. As a goodwill gesture, companies also consider the names recommended by unions from time to time.

### **Direct Methods**

#### **Campus Recruitment**

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



If campus recruiting is used, steps should be taken by the Human Resource Department to ensure that recruiters are knowledgeable concerning the jobs that are to be filled and the organization and understand and employ effective interviewing skills. Campus recruiting, however, is not easy.

**Guidelines for campus recruiting:** Companies using college campuses as recruitment source should consider the following guidelines:

- **Identify the potential candidates early:** The earlier that candidates with top potential can be identified, the more likely the organization will be in a position to attract them.
- **Employ various means to attract candidates:** These may include providing research grants, consulting opportunities to faculty members, funding university infrastructural requirements, internships to students, etc. In the long run these will enhance the prestige of a company in the eyes of potential job seekers.
- **Use effective recruiting materials:** Attractive brochures, films, computer diskettes, followed by enthusiastic and effective presentations by company officials, correspondence with placement offices in respective campuses in a friendly way – will help in boosting the company image in the eyes of the applicants. The company brochure must provide detailed information about the characteristics of entry-level positions, especially those that have had a major positive impact on prior applicants' decisions to join the company.
- **Offer training to campus interviewers:** It's better to devote more time and resources to train on-campus interviewers to answer specific job-related questions of applicants.
- **Come out with a competitive offer:** Keep the key job attributes that influence the decisions of applicants such as promotional avenues, challenging assignments, long-term income potential, etc., while talking to the candidates.

## Indirect Methods

### Advertisements

These include advertisements in newspapers; trade, professional and technical journals; radio and television; etc. In recent times, this medium has become just as colourful, lively and imaginative as consumer advertising. The ads generally give a brief outline of the job responsibilities, compensation



package, prospects in the organization, etc. This method is appropriate when (a) the organization intends to reach a large target group and (b) the organization wants a fairly good number of talented people – who are geographically spread out. To apply for the advertised vacancies let's briefly examine the wide variety of alternatives available to a company – as far as ads are concerned:

- **Newspapers ads:** Here it's easy to place job ads without much of a lead time. It has flexibility in terms of information and can conveniently target a specific geographic location. On the negative side, newspaper ads tend to attract only those who are actively seeking employment at that point of time, while some of the best candidates who are well paid and challenged by their current jobs may not be aware of such openings. As a result, the company may be bombarded with applications from a large number of candidates who are marginally qualified for the job – adding to its administrative burden. To maintain secrecy for various reasons (avoiding the rush, sending signals to competitors, cutting down expenses involved in responding to any individual who applies, etc.), large companies with a national reputation may also go in for blind-box ads in newspapers, especially for filling lower level positions. In a blind-box ad there is no identification of the advertising organization. Job aspirants are asked to respond to a post office box number or to an employment firm that is acting as an agent between the job seeker and the organization.
- **Television and radio ads:** These ads are more likely to reach individuals who are not actively seeking employment; they are more likely to stand out distinctly, they help the organization to target the audience more selectively and they offer considerable scope for designing ads creatively. However, these ads are expensive. Also, because the television or radio is simply seen or heard, potential candidates may have a tough time remembering the details, making application difficult.

### Third Party Methods

#### Private Employment Search Firms

A search firm is a private employment agency that maintains computerized lists of qualified applicants and supplies these to employers willing to hire people from the list for a fee. Firms like Arthur Anderson, Noble and Hewitt, ABC consultants, SB Billimoria, KPMG, Ferguson Associates offer specialized employment-related services to corporate houses for a fee, especially for top and middle



level executive vacancies. At the lower end, a number of search firms operate – providing multifarious services to both recruiters and the recruiters.

### **Employment Exchanges**

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

### **Gate Hiring and Contractors**

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

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

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





## Alternatives to Recruitment

Since recruitment and selection costs are high (search process, interviewing, agency fee, etc.) firms these days are trying to look at alternatives to recruitment, especially when market demand for firm's products and services is sluggish. Moreover, once employees are placed on the payroll, it may be extremely difficult to remove them if their performance is marginal.

## Evaluation of Alternative Sources

Companies have to evaluate the sources of recruiting carefully – looking at cost, time, flexibility, quality and other criteria – before earmarking funds for the recruitment process. They cannot afford to fill all their vacancies through a particular source. To facilitate the decision making process in this regard, companies rely on the following:

- **Time lapse data:** They show the time lag between the date of requisition for manpower supply from a department to the actual date of filling the vacancies in that department.
- **Surveys and studies:** Surveys may also be conducted to find out the suitability of a particular source for certain positions. For example, as pointed out previously, employee referral has emerged as a popular way of hiring people in the Information Technology industry in recent times in India. Correlation studies could also be carried out to find out the relationship between different sources of recruitment and factors of success on the job. In addition to these, data on employee turnover, grievances, disciplinary action would also throw light on the relative strengths of a particular source of recruitment for different organizational positions. Before finally identifying the sources of recruitment, the human resource managers must also look into the cost of hiring a candidate. The cost per hire can be found out by dividing the recruitment cost by the number of candidates hired.

## Recruitment Policies and Procedures

One of the first steps in planning for the recruitment of employees into the organization is to establish proper policies and procedures. A recruitment policy indicates the organizations' code of conduct in this area of activity. Once the recruitment policy is made explicit, the company can evolve a detailed procedure to make the whole exercise systematic. Such a systematic approach will enable people within (or outside) the organization to follow a predictable path. The recruitment procedures should, however,



be flexible enough to permit personnel department to respond quickly to demands made on them by various departments and by potential candidates. Recruitment, it should be remembered, is a marketing activity as well as a public relations exercise. When recruiting people, organizations are going out into their external environment and competing with others for suitable candidates. Such activities, therefore, should be conducted in a manner that sustains or enhances the prestige and public image of the organization concerned. Fair and objective recruitment policies and standards would add to the image of the organization in the long run.

### 4.3 Check your Progress

1. .... means using personal contacts to locate job opportunities. It is a recommendation from a current employee regarding a job applicant.
2. .... is a method of recruiting by visiting and participating in college campuses and their placement centres. Here the recruiters visit reputed educational institutions such as IITs, IIMs, colleges and universities with a view to pick up job aspirants having requisite technical or professional skills.
3. ....The Act provides for a machinery to lay down syllabi and specify period of training, mutual obligations of apprentices and employees, etc. The responsibility for engagement of apprentice lies solely with the employer.
4. In..... method, the organization publicizes job openings on bulletin boards, electronic media and similar outlets.
5. ....help present employees to grow personally and professionally and also attract good people to the organization. The feeling that the company takes care of employee career aspirations serves as a powerful inducement to potential employees.
- 6.....is hiring permanent employees of another company on lease basis for a specific period as per the leasing arrangement.
7. ....indicates the number of contacts required to generate a given number of hires at a point of time.



## 4.4 Summary

Recruitment is a marketing activity and a public relations exercise for the organization. It is a critical activity for all organizations because it not only affects the image of the company but also impacts the long term effectiveness of the organization.

This lesson discusses various sources of recruitment and their relative merits and demerits. A situational audit for recruitment explains the external factors impacting the process of recruitment. There are many methods of recruitment, which have also been dealt in the unit.

## 4.5 Keywords

- **Recruitment:** The discovering of potential applicants for actual or anticipated organizational vacancies.
- **Transfer:** A lateral movement within the same grade, from one job to another
- **Promotion:** Movement of an employee from a lower level position to a higher level position with increase in salary.
- **Executive Search:** Hiring search firm/head-hunter to track candidates.
- **Employee Referral:** A recommendation from a current employee regarding a job applicant.
- **College Placements:** An external search process focusing recruiting efforts on a college campus.
- **Campus Recruiting:** Visiting specific-skill institutes to hire graduates.
- **Internal Advertising:** Informing employees of vacancies internally.
- **Media Advertising:** Inviting applications by placing ads in media.
- **Job Analysis:** A systematic investigation into the tasks, duties and responsibilities of a job.
- **Inducements:** Positive features and benefits offered by an organization to attract job applicants.
- **Yield Ratio:** Indicates the number of contacts required to generate a given number of hires at a point of time.



- **Employee Leasing:** Hiring permanent employees of another company on lease basis for a specific period as per the leasing arrangement.
- **Temporary Employees:** Employees hired for a limited time to perform a specific job.
- **Selection:** Picking up suitable candidates by rejecting the unsuitable.
- **Job Posting:** It is a method of publicizing job openings on bulletin boards, electronic media and similar outlets by a company.

#### 4.6 Self-Assessment Test

1. Describe briefly the various steps that are involved in hiring human resources in an organization.
2. What are the various sources of recruitment?
3. How can an organization evaluate the worth of these sources?
4. Outline the legal, economic, social and political considerations in recruitment.
5. List the most important merits and demerits of various sources of recruitment.

#### 4.7 Answers to check your Progress

1. Employee referral
2. Campus Recruitment
- 3 The Apprentices Act, 1961
4. Job Posting
5. Career opportunities
6. Employee Leasing
7. Yield Ratio

#### 4.8 References/Suggested Readings

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<b>SELECTION PROCESS AND STRATEGIES</b>	

## STRUCTURE

### 5.1 Learning Objectives

### 5.2 Introduction

#### 5.2.1 Selection Process

#### 5.2.2 Selection Tests

#### 5.2.3 Selection Interview

### 5.3 Check your Progress

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### 5.8 References/Suggested Readings

## 5.1 Learning Objectives

This lesson highlights the selection and its strategies. It explains selection process. It examines various selection tests. It explains the selection interview.

After reading this lesson, students will be able to:



- Describe the selection process
- Examine various selection tests
- Explain the selection interview

## 5.2 Introduction

The size of the labour market, the image of a company, the place of posting, the nature of job, the compensation package and a host of other factors influence the manner the job aspirants are likely to respond to the recruiting efforts of a company. Through the process of recruitment a company tries to locate prospective employees and encourages them to apply for vacancies at various levels. Recruiting, thus, provides a pool of applicants for selection.

### Definition

To select mean to choose. Selection is the process of picking individuals who have relevant qualifications to fill jobs in an organization. The basic purpose is to choose the individual who can most successfully perform the job from the pool of qualified candidates.

### Purpose

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



### 5.2.1 Selection Process

Selection is usually a series of hurdles or steps. Each one must be successfully cleared before the applicant proceeds to the next. The time and emphasis placed on each step will of course vary from one organization to another and, indeed, from job to job within the same organization. The sequencing of steps may also vary from job to job and organization to organization. For example, some organizations may give importance to testing, while others may emphasize interviews and reference checks. Similarly a single brief selection interview might be enough for applicants for lower level positions, while applicants for managerial jobs might be interviewed by a number of people.

#### Reception

A company is known by the people it employs. In order to attract people with talents, skills and experience a company has to create a favorable impression on the applicants right from the stage of reception. Whoever meets the applicant initially should be tactful and able to extend help in a friendly and courteous way. Employment possibilities must be presented honestly and clearly. If no jobs are available at that point of time, the applicant may be asked to call back the personnel department after some time.

#### Screening Interview

A preliminary interview is generally planned by large organizations to cut the costs of selection by allowing only eligible candidates to go through the further stages in selection. A junior executive from the Personnel Department may elicit responses from applicants on important items determining the suitability of an applicant for a job such as age, education, experience, pay expectations, aptitude, location, choice etc. This 'courtesy interview', as it is often called, helps the department screen out obvious misfits. If the department finds the candidate suitable, a prescribed application form is given to the applicants to fill and submit.

#### Application Blank

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





### Weighted Application Blanks (WABs)

To make the application form more job-related, some organizations assign numeric values or weights to responses provided by applicants. Generally, the items that have a strong relationship to job performance are given high scores. For example, for a medical representative's position items such as previous selling experience, marital status, age, commission earned on sales previously, etc., may be given high scores when compared to other items such as religion, sex, language, place of birth, etc. The total score of each applicant is obtained by summing the weights of the individual item responses. The resulting scores are then used in the selection decision. The WAB is best suited for jobs where there are many workers, especially for sales and technical jobs and it is particularly useful in reducing turnover. There are, however, several problems associated with WABs. It takes time to develop such a form. The cost of developing a WAB could be prohibitive if the organization has several operating levels with unique features. The WAB must be "updated every few years to ensure that the factors previously identified are still valid predictors of job success". And finally, the organization should be careful not to depend on weights of a few items while selecting an employee.

**Usefulness.** Application blank is a highly useful selection tool, in that it serves three important purposes.

- It introduces the candidate to the company in a formal way.
- It helps the company to have a cross-comparison of applicants; the company can screen and reject candidates if they fail to meet the eligibility criteria at this stage itself.
- It can serve as a basis to initiate a dialogue in the interview.

### 5.2.2 Selection Tests

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



tests, Personality tests, Achievement tests and miscellaneous tests such as graphology, polygraphy and honesty tests.

• ***Intelligence tests:***

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

• ***Aptitude tests:***

Aptitude tests measure an individual's potential to learn certain skills – clerical, mechanical, mathematical, etc. These tests indicate whether or not an individual has the ability to learn a given job quickly and efficiently. In order to recruit efficient office staff, aptitude tests are necessary. Clerical tests, for example, may measure the incumbent's ability to take notes, perceive things correctly and quickly locate things, ensure proper movement of files, etc. Aptitude tests, unfortunately, do not measure on-the-job motivation. That is why the aptitude test is administered in combination with other tests like, intelligence and personality tests.

• ***Personality tests:***

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



Personality tests are used to measure basic aspects of an applicant's personality such as motivation, emotional balance, self-confidence, interpersonal behaviour, introversion, etc. The most frequently used tests are the Minnesota Multiphasic Personality Inventory (MMPL), the California Psychological Inventory, the Manifest Anxiety Scale, Edwards Personal Performance Schedule, etc. There are three types of PIP tests: projective (personality), interests and preferences. Let's examine these in detail.

- **Projective tests:** These tests expect the candidates to interpret problems or situations based on their own motives, attitudes, values, etc. Many personality tests are projective in nature. A picture is presented to the person taking the test who is then asked to interpret or react to it. Since the pictures are clouded, the person's interpretation must come from inside – and thus get projected. The person supposedly projects into the picture his or her own emotional attitudes, motives, frustrations, aspirations and ideas about life. Standard tests are also frequently used to assess the personality of the testee. For example, in the Thematic Appreciation Test, the testee is shown a picture and is asked to make up a story based on the picture. The responses are analyzed and a profile of personality is developed. However, projective tests have been under attack since they are unscientific and often reveal the bias of the test evaluator, particularly if he is not properly trained.
- **Interest tests:** These are meant to find how a person in tests compare with the interests of successful people in a specific job. These tests show the areas of work in people are most likely to be successful in jobs they like. These tests could be used as effective selections tools. Obviously if you can select people whose interests are roughly the same as those of successful investments by using, say the Strong-Campbell inventory, in the jobs for which you are recruiting, it is more likely that the applicants will be more successful in their new jobs. The chief problem with using the interest tests for selection purposes is that responses to the questions are not always sincere.
- **Preference tests:** These tests try to compare employee preferences with the job and organizational requirements. The job diagnostic survey developed by Hackman and Oldham, is an example of a preference test. This test shows how people differ in their preferences for achievement, meaningfulness, discretion etc., in their jobs.
- **Achievement tests:**



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

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

- ***Simulation tests:***

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

- ***Assessment centre:***

An assessment centre is an extended work sample. It uses procedures that incorporate group and individual exercises. These exercises are designed to simulate the type of work which the candidate will be expected to do. Initially a small batch of applicants come to the assessment centre (a separate room). Their performance in the situational exercises is observed and evaluated by a team of 6 to 8 trained assessors. The assessors' judgments on each exercise are compiled and combined to have a summary rating for each candidate being assessed.

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



**The in-basket:** Here the candidate is faced with an accumulation of reports, memos, letters and other materials collected in the in-basket of the simulated job he is supposed to take over. The candidate is asked to take necessary action on each of these materials, say, by writing letters, notes, agendas for meetings, etc. The results of the applicant's actions are then reviewed by the evaluators.

- **The leaderless group discussion:** In this exercise, a leaderless group is given a discussion question and asked to arrive at a group decision. The evaluators then evaluate each participant's interpersonal skills, acceptance by the group, leadership and individual influence, etc.
- **Business games:** Here participants try to solve a problem, usually as members of two or more simulated companies that are competing in the market place. Decisions might include how to advertise and produce, how to penetrate the market, how much to keep in stock, etc. Participants thereby exhibit planning and organizational abilities, interpersonal skills and leadership abilities. Business games have several merits: they reduce time, events that might not take place for months or years are made to occur in a matter of hours. They are realistic and competitive in nature. They offer immediate feedback also.
- **Individual presentations:** A participant's communication skills are evaluated by having the person make an oral presentation of a given topic.
- **Structured interview:** Evaluators ask a series of questions aimed at the participant's level of achievement, motivation, potential for being a 'self-started' and commitment to the company.

### Evaluation of Assessment Centre Technique

The assessment centre technique has a number of advantages. The flexibility of form and content, the use of a variety of techniques, standardized ways of interpreting behavior and pooled assessor judgments account for its acceptance as a valuable selection tool for managerial jobs. It is praised for content validity and wide acceptance in corporate circles. By providing a realistic job preview, the technique helps a candidate make an appropriate career choice. The performance ratings are more objective in nature and could be used for promotion and career development decisions readily. However, the method is expensive to design and administer. Blind acceptance of assessment data



without considering other information on candidates (past and current performance) is always not advisable.

- **Graphology tests:** Graphology involves using a trained evaluator to examine the lines, loops, hooks, strokes, curves and flourishes in a person's handwriting to assess the person's personality and emotional make-up. The recruiting company may, for example, ask applicants to complete application forms and write about why they want a job. These samples may be finally sent to a graphologist for analysis and the results may be put to use while selecting a person. The use of graphology, however, is dependent on the training and expertise of the person doing the analysis. In actual practice, questions of validity and just plain skepticism have limited its use.
- **Polygraph (Lie-detector) tests:** The polygraph records physical changes in the body as the test subject answers a series of questions. It records fluctuations in respiration, blood pressure and perspiration on a moving roll of graph paper. The polygraph operator forms a judgment as to whether the subject's response was truthful or deceptive by examining the biological movements recorded on the paper. Polygraphs, despite strong resistance by many applicants, are increasingly being used by companies which have problems with inventory and security of funds. Government agencies have begun to use the polygraph, especially for filling security, police, fire and health positions. Critics, however, question the appropriateness of polygraphs in establishing the truth about an applicant's behavior. The fact is that polygraph records biological reaction in response to stress and does not record lying or even the conditions necessarily accompanying lying. Is it possible to prove that the responses recorded by the polygraph occur only because a lie has been told? What about those situations in which a person lies without guilt (a pathological liar) or lies believing the response to be true? The fact of the matter is that polygraphs are neither reliable nor valid. Since they invade the privacy of those tested, many applicants vehemently oppose the use of polygraph as a selection tool.
- **Integrity tests:** These are designed to measure employee's honesty to predict those who are more likely to steal from an employer or otherwise act in a manner unacceptable to the



organization. The applicants who take these tests are expected to answer several ‘yes’ or ‘no’ type questions.

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

### **Tests as Selection Tools**

Tests are useful selection devices in that these identify qualifications and talents that can’t be detected otherwise. They can be used to predict how well one would perform if one is hired, why one behaves the way one does, what situational factors influence employee productivity, etc. Tests also provide unbiased information that can be put to scientific and statistical analysis.

However, tests suffer from sizeable errors of estimate. Most psychological tests also have one common weakness, that is, we can’t use scales which have a known zero point and equal intervals. An intelligence test, for example starts at an arbitrary point, where a person may not be able to answer questions properly. This does not mean that the person is totally lacking in intelligence. Likewise, a person who is able to answer all the 10 questions correctly cannot be called twice as intelligent as one who is able to answer only 5 questions correctly. If the test has commenced at some other point, where there were easier questions, their scores might have been different. Tests also fail to elicit truthful responses from testees. To compound the problem further, test results are interpreted in a subjective way by testers and unless these testers do their homework well, the results may not be reliable:

**Standards for Selection Tests:** To be useful as predictive and diagnostic selection tools, tests must satisfy certain basic requirements:

**Reliability:** Test scores should not vary widely under repeated conditions. If a test is administered to the same individual repeatedly, he should get approximately identical scores. Reliability is the confidence that an indicator will measure the same thing every time. “A yardstick that measures me 60 inches tall every time I use it is reliable”. Generally speaking HR managers should choose instruments that have the following types of reliability.



**Test-retest reliability:** Where the technique gives the same results when administered repeatedly to the same person. For example, if a person takes the same hearing test twice during the week and receives the same result, the test-retest reliability is high.

**Inner-rater reliability:** Where the instrument gives the same results when used by two or more different raters. For example, if two supervisors interview the same worker and evaluate the worker similarly, the interview has high inner-rater reliability.

**Intra-rater reliability:** Where the technique gives the same results when repeatedly used by the same rater to rate the same behaviors or attitudes at different times.

**Validity:** Validity is the extent to which an instrument measures what it intends to measure. In a typing test validity measures a typist's speed and accuracy. To determine whether it really measures the speed and accuracy of a typist is to demonstrate its validity. The question of determining the validity of a selection test, thus, has a lot to do with later performance on the job (known as criterion: a selection tool such as a test or an interview is referred to as a predictor and what it measures - job performance - is a criterion). If a person has done well both in selection and subsequently on the job, the test of selection would be accepted as a valid 'technique for selection.'

There are three types of validity important in the selection and recruitment of human resources. Content validity is the degree to which the content of the test represents the actual work situation. For example, a typing test has high content validity for a typist. Construct validity is the degree to which a specific trait is related to successful job performance. For example, honesty would be important for bank cashier. Criterion related validity is the degree to which a specific selection tool accurately predicts the important elements of work. Criterion related validity is subdivided into two types: predictive and concurrent. Predictive validity involves picking a criterion predictor such as a test, administering the test to the entire pool of job applicants and then hiring people to fill the vacancies without taking their test scores into account. At a later date, the test scores are correlated with the criterion of job success to find out whether those people with high test scores performed substantially better than those with low test scores. This kind of validation is not frequently used because it is costly and slow. To use this large number of new employees must be hired at the same time without regard to their test scores. This would mean hiring both good and bad employees.





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

**Qualified people:** Tests require a high level of professional skills in their administration and interpretation. Professional technicians are needed for skilled judgmental interpretations of test scores.

**Preparation:** A test should be well prepared. It should be easy to understand and simple to administer.

**Suitability:** A test must fit the nature of the group on which it is applied. A written test comprising difficult words would be fruitless when it is administered on less educated workers.

**Usefulness:** Exclusive reliance on any single test should be avoided, since the results in such a case are likely to be criticized. To be useful, it is always better to use a battery of tests.

**Standardization:** Norms for finalizing test scores should be established. There must be prescribed methods and procedures for administering the test and for scoring or interpreting it.

### 5.2.3 Selection Interview

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

- to size up the candidate personally;
- to ask questions that are not covered in tests;
- to make judgments on candidate's enthusiasm and intelligence,
- to assess subjective aspects of the candidate – facial expressions, appearance, nervousness and so forth;



- to give facts to the candidate regarding the company, its policies, programmes, etc. and promote goodwill towards the company.

**Types of interviews:** Several types of interviews are commonly used depending on the nature and importance of the position to be filled within an organization. In a non-directive interview the recruiter asks questions as they come to mind. There is no specific format to be followed. The questions can take any direction. In a patterned interview, the employers follow a pre-determined sequence of questions. Here the interviewee is given a special form containing questions regarding his technical competence, personality traits, attitudes, motivation, etc. In a structured or situational interview, there are fixed job related questions that are presented to each applicant. Unlike the preprinted patterned interviews, structured interviews can be adopted to ask questions about the specific job in question. In a Panel interview several interviewers question and seek answers from one applicant. The panel members can ask new and incisive questions based on their expertise and experience and elicit deeper and more meaningful expertise from candidates. Interviews can also be designed to create a difficult environment where the applicant's confidence level and the ability to stand erect in difficult situations is put to test. These are referred to as the stress interview. This is basically an interview in which the applicant is made uncomfortable by a series of, often, rude, annoying or embracing questions. In the final category, there is the appraisal interview, where a superior and subordinate sit together after the performance appraisal to discuss the subordinate's rating and possible remedial actions.

**Interviewing mistakes:** The interview is a good selection tool in the hands of the person who knows how to use it. If it is not used properly or the interviewer himself is not having a positive frame of mind, mistakes may occur. The interviewer, for example, may:

- favor applicants who share his own attitudes;
- find it difficult to establish rapport with interviewees, because he himself does not possess good interpersonal skills;
- not be asking right questions and hence not getting relevant responses;
- resort to snap judgments, making a decision as to the applicant's suitability in the first few minutes of the interview. Too often interviewers form an early impression and spend the balance of the interview looking for evidence to support it;



- may have forgotten much of the interview's content within minutes after its conclusion;
- may have awarded high scores by showing leniency (leniency);
- may have been influenced by 'cultural noise'. To get the job, the applicants try to get by the interviewer. If they reveal wrong things about themselves, they may not get the job so they try to give the interviewer responses that are socially acceptable, but not very revealing. These types of responses are known as cultural noise— responses the applicant believes are socially acceptable rather than facts;
- may have allowed himself to be unduly influenced by associating a particular personality trait with a person's origin or cultural background and that kind of stereotyping/generalizing ultimately determining the scores of a candidate (stereotyping). For example, he may feel that candidates from Bihar may find it difficult to read, write and speak English language and hence not select them at all !;
- may allow the ratings to be influenced by his own likes and dislikes (bias)
- may conclude that a poorly dressed candidate is not intelligent, attractive females are good for public dealings, etc. This is known as 'halo effect' where a single important trait of a candidate affects the judgment of the rater. The halo effect is present if an interviewer allows a candidate's accomplishments in athletics overshadow other aspects and leads the interviewer to like the applicant because 'athletes make good sales people';
- have rated an applicant poorly, following the interview of very favorable or unfavorable candidates (called as candidate-order error; the order in which you interview applicants can also affect how you rate them);
- have been influenced more by unfavorable than favorable information about or from the candidate. Unfavorable information is given roughly twice the weight of favorable information. According to Dobmeyer and Dunette, a single negative characteristic may bar an individual from being accepted, while no amount of positive features will guarantee a candidate's acceptance.
- have been under pressure to hire candidates at short notice;



- have been influenced by the behavior of the candidates (how he has answered, his body language), his or her dress (especially in the case of female candidates) and other physical factors that are not job related.

### Steps in Interview Process

It demands a positive frame of mind on the part of the interviewers. Interviewees must be treated properly so as to leave a good impression (about the company) in their minds. HR experts have identified certain steps to be followed while conducting interviews

**Preparation:** Effective interviews do not just happen. They are planned. This involves:

- Establishing the objectives of the interview.
- Reviewing the candidate's application and resume, noting areas that are vague or that may show candidate's strengths and weaknesses on which questions could be asked.
- Keeping the test scores ready, along with interview assessment forms.
- Selecting the interview method to be followed.
- Choosing the panel of experts who would interview the candidates (list the number of experts to be called plus the chairman).
- Identifying a comfortable, private room preferably away from noise and interruptions (neat and clean; well furnished, lighted and ventilated) where the interview could be held.

**Reception:** The candidate should be properly received and led into the interview room. Greet the candidate with a warm, friendly, greeting smile. Names are important. So tell the applicant what to call you and then ask the applicant for his preferred form of address. Tell briefly about yourself and put the applicant at ease so that he may reciprocate with personal information. Ask the applicant about hobbies, activities or some other topic so as to break the ice. As a rule, treat all candidates – even unsolicited drop-ins at your office – courteously, not on humanitarian grounds but because your company's reputation is at stake. Start the interview on time.

### Conducting the Interview: Information Exchange

To gain the confidence of the candidate, start the interview with a cheerful conversation. The information exchange between the interviewer and the interviewee may proceed thus:



- State the purpose of the interview, how the qualifications are going to be matched with skills needed to handle the job. Give information about the job for which the interviewee is applying.
- Do not interrogate the applicant as if the person is a prisoner and do not be patronising, sarcastic or ultra-critical.
- Do not monopolize the conversation, giving very little chance to the applicant to reveal himself.
- Do not let the applicant dominate the interview by rambling from point to point so you cannot ask all your questions.
- Do not use difficult words to confuse the applicant.
- Find unexplained gaps in applicants' past work or college record and elicit facts that are not mentioned in the resume. Avoid questions that are not job-related.
- Listen to the applicant's answers attentively and patiently.

**Termination:** End the interview as happily as it began without creating any awkward situation for the interviewee. Here, avoid communicating through unpleasant gestures such as sitting erect, turning towards the door, glancing at watch or clock, etc. Some interviewers terminate the show by asking: do you have any final questions? At this point inform the applicant about the next step in the interview process, which may be to wait for a call or letter. Regardless of the interview performance of the candidate and interviewer's personal opinion, the applicant should not be given any indication of his prospects at this stage.

**Evaluation:** After the interview is over, summarize and record your observations carefully, constructing the report based on responses given by applicant, his behavior, your own observations and the opinions of other experts present during the interview. Better to use a standardized evaluation form for this purpose.

### Medical Examination



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

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

### Reference Checks

Once the interview and medical examination of the candidate is over, the personnel department will engage in checking references. Candidates are required to give the names of two or three references in their application forms. These references may be from the individuals who are familiar with the candidate's academic achievements or from the applicant's previous employer, who is well-versed with the applicant's job performance and sometimes from co-workers. In case the reference check is from the previous employer, information in the following areas may be obtained. They are: job title, job description, period of employment, pay and allowances, gross emoluments, benefits provided, rate of absence, willingness of the previous employer to employ the candidate again, etc. Further, information regarding candidate's regularity at work, character, progress, etc., can be obtained. Often a telephone call is much quicker. The method of mail query provides detailed information about the candidate's performance, character and behavior.

However, a personal visit is superior to the mail and telephone methods and is used where it is highly essential to get detailed, first-hand information which can also be secured by observation. Reference checks are taken as a matter of routine and treated casually or omitted entirely in many organizations. But a good reference check, when used sincerely, will fetch useful and reliable information to the organization.



## Hiring Decision

The Line Manager concerned has to make the final decision now – whether to select or reject a candidate after soliciting the required information through different techniques discussed earlier. The line manager has to take adequate care in taking the final decision because of economic, behavioral and social implications of the selection decisions. A careless decision of rejecting a candidate would impair the morale of the people and they suspect the selection procedure and the very basis of selection in a particular organization. A true understanding between line managers and personnel managers should be established so as to facilitate good selection decisions. After taking the final decision, the organization has to intimate this decision to the successful as well as unsuccessful candidates. The organization sends the appointment order to the successful candidates either immediately or after sometime depending upon its time schedule.

### 5.3 Check your Progress

1. .... is a written form completed by job aspirants detailing their educational background, previous work history and certain personal data.
2. .... is a written form completed by candidates in which each item is weighted and scored based on its importance as a determinant of job success.
3. .... are designed to measure employee's honesty to predict those who are more likely to steal from an employer or otherwise act in a manner unacceptable to the organization. The applicants who take these tests are expected to answer several 'yes' or 'no' type questions.
4. A ..... is generally planned by large organizations to cut the costs of selection by allowing only eligible candidates to go through the further stages in selection.
5. 5..... is a standardized form of employee appraisal that uses multiple assessment exercises such as in basket, games, role play, etc. and multiple raters.



6. The ..... records physical changes in the body as the test subject answers a series of questions. It records fluctuations in respiration, blood pressure and perspiration on a moving roll of graph paper.
7. ....involves using a trained evaluator to examine the lines, loops, hooks, strokes, curves and flourishes in a person's handwriting to assess the person's personality and emotional make-up.

## 5.4 Summary

The selection process is very crucial from the point of view of the candidate but equally important for the recruiter. It is this process whereby final decision to hire a candidate is taken. Thus, the decisions taken at this stage impact the organization in the long term. The lesson defines the process of selection in detail with particular emphasis to the interview process. Prior to the interview, organization now conduct multitude of tests to measure various characteristics of candidates. These selection tests have been described in detail in the lesson. Once the candidate clears the test, the selection interview process begins. There are many mistakes that commonly happen on the part of the interviewer and interviewee at this stage. Thus, a clear understanding of the interview process as described in the lesson becomes important.

## 5.5 Keywords

1. **Selection:** The process of picking individuals who have relevant qualifications to fill jobs in an organization.
2. **Application Blank:** It is a written form completed by job aspirants detailing their educational background, previous work history and certain personal data.
3. **Weighted Application Blank:** It is a written form completed by candidates in which each item is weighted and scored based on its importance as a determinant of job success.
4. **Test:** A test is a standardized, objective measure of a sample of behavior.
5. **Reliability:** The ability of a selection tool to measure an attribute consistently.
6. **Validity:** The relationship between scores on a selection tool and a relevant criterion such as job performance.





7. **Assessment Centre:** It is a standardized form of employee appraisal that uses multiple assessment exercises such as in basket, games, role play, etc. and multiple raters.
8. **Interview:** It is the oral examination of candidates for employment.
9. **Realistic Job Preview:** It is a process of providing a job applicant with an accurate picture of the job.

## 5.6 Self-Assessment Test

1. Explain in brief the various selection techniques in general. Outline those selection techniques which are popularly used in India.
2. Outline the factors that affect selection decisions in multiple unit organizations.
3. What is testing in selection? Explain its validity and reliability in the selection process. What types of tests do you adopt for selecting mechanical engineers in a large tool making industry?
4. What is an interview? Explain its validity and reliability. What are the different types of employment interviews?
5. What is reference check? Do you agree with the view that reference check has become a mere formality in the selection process in Indian organizations?
6. If you were interviewing a promising candidate but he seemed nervous, what actions might you consider to calm the candidate?
7. List the advantages and disadvantages of having a complete medical examination given to all new employees.
8. You are starting a new manufacturing company. What phases would you go through to select your employees?

## 5.7 Answers to check your Progress

1. Application Blank
2. Weighted Application Blank
3. Integrity tests
4. Preliminary interview
5. Assessment Centre



6. Polygraph

7. Graphology

### 5.8 References/Suggested Readings

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<b>PLACEMENT, INDUCTION, SOCIALIZATION AND SEPARATION PRACTICES</b>	

## STRUCTURE

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## 6.1 Learning Objectives

This lesson highlights basic elements Placement. It explains Meaning, Objectives and Steps of Induction. It examines Socialization Process and Need and Purpose of Internal Mobility. It explains the Purpose and Types of Transfer. It examines the Purpose and Bases of Promotion and Separation Practices.

After reading this lesson, students will be able to:

- Describe the elements of Placement
- Explain Meaning, Objectives and Steps of Induction
- Identify the Socialization Process
- Examine Need and Purpose of Internal Mobility
- Explain the Purpose and Types of Transfer
- Examine the Purpose and Bases of Promotion and Separation Practices

## 6.2 Introduction

Today, the duties and responsibilities of a manager are no more restricted to functional and operational areas. Managers have to build and manage teams. Although, the organization's HR function plays an important role but it is a fact that the relationship between an employer and employee goes through various transitions. After selection and recruitment, the candidate is placed according to the requirement of the job and qualification of the candidate. The organization then initiates the process of induction, whereby the candidate is introduced to the job and the organization. The duration of the induction process could be between two days to a year or more depending upon organizational policies.

Once inducted, the candidate becomes a part of the organization. Changes like job transfers, promotions, lateral shifts seek to challenge the employee to deliver results as per organization standards. However, the relationship of employer-employee is one of reciprocation. In many circumstances, the relationship may need to be terminated, leading to separation.

In each of these processes, managers and especially HR managers play a vital role. It is thus important to understand these processes to design effective HRM practices within the organization.



### 6.2.1 Placement

After selecting a candidate, he should be placed on a suitable job. Placement is the actual posting of an employee to a specific job. It involves assigning a specific rank and responsibility to an employee. The placement decisions are taken by the line manager after matching the requirements of a job with the qualification of a candidate. Most organizations put new recruits on probation for a given period of time, after which their services are confirmed. During this period, the performance of the probationer is closely monitored. If the new recruit fails to adjust himself to the job and turns out poor performance, the organization may consider his name for placement elsewhere. Such second placement is called 'differential placement'. Usually the employees' supervisor, in consultation with the higher levels of line management, takes decisions regarding the future placement of each employee.

Placement is an important human resource activity. If neglected, it may create employee adjustment problems leading to absenteeism, turnover, accidents, poor performance, etc. The employee will also suffer seriously. He may quit the organization in frustration, complaining bitterly about everything. Proper placement is, therefore, important to both the employee and the organization.

### 6.2.2 Meaning, Objectives and Steps of Induction

Induction or orientation is the process through which a new employee is introduced to the job and the organization. In the words of Armstrong, induction is "the process of receiving and welcoming an employee when he first joins a company and giving him the basic information he needs to settle down quickly and start work".

#### Objectives

Induction serves the following purposes:

- ***Removes fears:*** A newcomer steps into an organization as a stranger. He is new to the people, workplace and work environment. He is not very sure about what he is supposed to do. Induction helps a new employee overcome such fears and perform better on the job. It assists him in knowing more about:
  - The job, its content, policies, rules and regulations.



- The people with whom he is supposed to interact.
- The terms and conditions of employment.
- ***Creates a good impression:*** Another purpose of induction is to make the newcomer feel at home and develop a sense of pride in the organization. Induction helps him to:
  - Adjust and adapt to new demands of the job.
  - Get along with people.
  - Get off to a good start.

Through induction, a new recruit is able to see more clearly as to what he is supposed to do, how good the colleagues are, how important is the job, etc. He can pose questions and seek clarifications on issues relating to his job. Induction is a positive step, in the sense, it leaves a good impression about the company and the people working there in the minds of new recruits. They begin to take pride in their work and are more committed to their jobs.

***Acts as a valuable source of information:*** Induction serves as a valuable source of information to new recruits. It classifies many things through employee manuals/handbook. Informal discussions with colleagues may also clear the fog surrounding certain issues. The basic purpose of induction is to communicate specific job requirements to the employee, put him at ease and make him feel confident about his abilities.

Representatives from HR department explain the various issues that may be broadly classified into two categories: general topics of interest and specific jobs related matters – to newcomers. In addition, each employee is asked to go through the employee handbook describing company policies, rules, regulations, benefits and other items. Video films could also be used to give a brief overview of what the company stands for, what is its position in the industry, its geographic coverage, leadership position, etc. Sometimes newcomers may be introduced to people working in other departments such as supervisors, accountants, peers, etc.

### **Induction Programme: Steps**

The HR department may initiate the following steps while organizing the induction programme:



- 1 Welcome to the organization.
- 2 Explain about the company.
- 3 Show the location/department where the new recruit will work.
- 4 Give the company's manual to the new recruit.
- 5 Provide details about various work groups and the extent of unionism within the company.
- 6 Give details about pay, benefits, holidays, leave, etc.
- 7 Emphasize the importance of attendance or punctuality.
- 8 Explain about future training opportunities and career prospects.
- 9 Clarify doubts, by encouraging the employee to come out with questions.
- 10 Take the employee on a guided tour of buildings, facilities, etc. Hand him over to his supervisor.

### 6.2.3 Socialization Process

Socialization is a process through which a new recruit begins to understand and accept the values, norms and beliefs held by others in the organization. HR department representatives help new recruits to “internalize the way things are done in the organization”. Orientation helps the newcomers to interact freely with employees working at various levels and learn behaviors that are acceptable. Through such formal and informal interaction and discussion, newcomers begin to understand how the department/company is run, who holds power and who does not, who is politically active within the department, how to behave in the company, what is expected of them, etc. In short, if the new recruits wish to survive and prosper in their new work home, they must soon come to ‘know the ropes’. Orientation programmes are effective socialization tools because they help the employees to learn about the job and perform things in a desired way.

#### Follow up

Despite the best efforts of supervisors, certain dark areas may still remain in the orientation programme. New hires may not have understood certain things. The supervisors, while covering a large ground, may have ignored certain important matters. Follow up meetings could be held at fixed intervals, say after every three or six months on a face-to-face basis. The basic purpose of such follow up orientation is to



offer guidance to employees on various general as well as job related matters – without leaving anything to chance.

### **Responsibilities**

To strengthen formal orientation efforts, a buddy system may also be introduced. Here, an experienced employee takes the worker round the organization, introduces the newcomer to other workers and answers the newcomer's questions in a friendly, informal tone. In any case the HR department and the supervisor taking charge of the orientation efforts should see that the newcomer is not:

- Overburdened with too many forms.
- Overwhelmed with too much to absorb in a short time.
- Asked to do jobs that are complex and hazardous and with a high chance of failure.
- Pushed into the job with a sketchy orientation.

### **6.2.4 Need and Purpose of Internal Mobility**

The lateral or vertical movement (promotion, transfer, demotion or separation) of an employee within an organization is called 'internal mobility'. It may take place between jobs in various departments or divisions. Some employees may leave the organization for reasons such as better prospects, retirement, terminations, etc. Such movements are known as 'external mobility'.

#### **Need for Internal Mobility**

Individuals may want to be flexible and mobile for certain positive or negative reasons. From the organizational point of view a different set of reasons may emerge in favor of internal mobility. Let's briefly look into such background factors leading to job changes within an organization.

- Organizations operate in dynamic, changing environments. To meet such changes, jobs may have to be regrouped/repositioned/relocated.
- Business may expand, new methods of operation may replace the old ones, and new products may gain entry into markets. As a result, new jobs may emerge, necessitating promotions and transfers in various departments.





- Factors such as employee turnover, resignations, retirement, etc., may also lead to internal job changes.
- Job changes may be necessary to meet employee aspirations

### Purposes of Internal Mobility

The purposes of internal mobility may be stated thus:

**Improve organizational effectiveness:** Organizations want to be lean and clean. To this end, structural defects may have to be eliminated; unwanted positions removed and other jobs redesigned. Internal mobility increases every such change within an organization.

**Improve employee effectiveness:** Knowledge, skills and abilities (KSAs) can be put to use if there is a good equation between what the person has and what the organization demands. Through promotions and transfers, organizations try to bridge such gaps.

**Adjust to changing business operations:** During a boom, there might be a phenomenal demand for new skills. Finance professionals were in great demand, for example, during early 90s. In a recession, layoffs may be needed to cut down costs and survive. Likewise, short-term adjustments may have to be carried out in case of death or illness of an employee.

**Ensure discipline:** Demotion causes loss of status and earning capacity. A demoted employee has to learn new ways of getting things done and adjust to a new setting. Demotions can be used to ensure discipline and to correct wrong placements and job assignments.

Internal mobility, as stated previously, includes a cluster consisting of transfer, promotion and demotion, each of which is briefly discussed here. Separations and terminations (discharge, dismissal) which form a part of mobility in general are discussed later on.

### 6.2.5 Purpose and Types of Transfer

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



**Purposes of Transfer:** Organizations resort to transfers with a view to attain the following purposes:

- ***To meet the organizational requirements:*** Organizations may have to transfer employees due to changes in technology, changes in volume of production, production schedule, product line, quality of products, changes in the job pattern caused by change in organizational structure, fluctuations in the market conditions like demands fluctuations, introduction of new lines and/or dropping of existing lines. All these changes demand the shift in job assignments with a view to place the right man on the right job.
- ***To satisfy the employee needs:*** Employees may need transfers in order to satisfy their desire to work under a friendly superior, in a department/region where opportunities for advancement are bright, in or near their native place or place of interest, doing a job where the work itself is challenging, etc.
- ***To utilize employees better:*** An employee may be transferred because management feels that his skills, experience and job knowledge could be put to better use elsewhere.
- ***To make the employee more versatile:*** Employees may be rolled over different jobs to expand their capabilities. Job rotation may prepare the employee for more challenging assignments in future.
- ***To adjust the workforce:*** Workforce may be transferred from a plant where there is less work to a plant where there is more work.
- ***To provide relief:*** Transfers may be made to give relief to employees who are overburdened or doing hazardous work for long periods.
- ***To reduce conflicts:*** Where employees find it difficult to get along with colleagues in a particular section, department or location – they could be shifted to another place to reduce conflicts.
- ***To punish employees:*** Transfers may be affected as disciplinary measures – to shift employees indulging in undesirable activities to remote, far-flung areas.

**Types of Transfers:** Transfers can be classified thus:

- ***Production transfers-*** Transfers caused due to changes in production



- **Replacement transfers-** Transfers caused due to replacement of an employee working on the same job for a long time
- **Rotation transfers-** Transfers initiated to increase the versatility of employees
- **Shift transfers-** Transfers of an employee from one shift to another
- **Remedial transfers-** Transfers initiated to correct the wrong placements
- **Penal transfers-** Transfers initiated as a punishment for indisciplinary action of employees

Transfers have to be carried out in a systematic way, with a view to avoid allegations of discrimination and favoritism. Some of the above cited problems associated with transfers could be avoided, if the organizations formulate a definite transfer policy, for use at different points of time.

**Transfer Policy:** Organizations should clearly specify their policy regarding transfers. Otherwise superiors may transfer their subordinates arbitrarily if they do not like them. It causes frustration among employees. Similarly, subordinates may also request for transfers even for the petty issues. Most of the people may ask for transfer to riskless and easy jobs and places. As such, organization may find it difficult to manage such transfers. Hence, an organization should formulate a systematic transfer policy.

A systematic transfer policy should contain the following items:

1. Specification of circumstances under which an employee will be transferred in the case of any company initiated transfer.
2. Name of the superior who is authorized and responsible to initiate a transfer.
3. Jobs from and to which transfers will be made, based on the job specification, description and classification, etc.
4. The region or unit of the organization within which transfers will be administered.
5. Reasons which will be considered for personal transfers, their order of priority, etc.
6. Reasons for mutual transfer of employees.
7. Norms to decide priority when two or more employees request for transfers like priority of reason, seniority.
8. Specification of basis for transfer like job analysis, merit, length of service.



9. Specification of pay, allowances, benefits, etc., that are to be allowed to the employee in the new job.
10. Other facilities to be extended to the transferee like special level during the period of transfer, special allowance for packaging luggage, transportation, etc.

Generally, line managers administer the transfers and personnel managers assist the line managers in this respect.

### 6.2.6 Purpose and Bases Promotion

Promotion refers to upward movement of an employee from current job to another that is higher in pay, responsibility and/or organizational level. Promotion brings enhanced status, better pay, increased responsibilities, and better working conditions to the promotee. There can, of course, be 'dry promotion' where a person is moved to a higher level job without increase in pay. Promotion is slightly different from upgradation which means elevating the place of the job in the organizational hierarchy (a better title is given now) or including the job in higher grade (minor enhancement in pay in tune with the limits imposed within a particular grade). A transfer implies horizontal movement of an employee to another job at the same level. There is no increase in pay, authority or status. Hence, it cannot act as a motivational tool. Promotion, on the other hand, has in-built motivational value, as it elevates the status and power of an employee within an organization.

**Purposes of Promotion:** Organizations promote the employees with a view to achieve the following purposes:

- To utilize the employees skill, knowledge at the appropriate level in the organizational hierarchy resulting in organizational effectiveness and employee satisfaction.
- To develop competitive spirit and inculcate the zeal in the employees to acquire the skill and knowledge, etc., required by higher level jobs.
- To develop competent internal source of employees ready to take jobs at higher levels in the changing environment.
- To promote employee self-development and make them await their turn of promotions. It reduces labour turnover.



- To promote a feeling of content with the existing conditions of the company and a sense of belongingness.
- To promote interest in training and development programmes and in team development areas.
- To build loyalty and to boost morale.
- To reward committed and loyal employees.

### **Bases of Promotion**

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

**Merit as a basis of promotion:** Merit denotes an individual employee's skill, knowledge, ability, efficiency and aptitude as measured from educational, training and past employment record. The merits of merit system of promotion are: (i) The skills of an employee can be better utilized at a higher level. It results in maximum utilization of human resources in an organization. (ii) Competent employees are motivated to exert all their energies and contribute to organizational efficiency and effectiveness. (iii) Further, it continuously encourages the employees to acquire new skills, knowledge, etc., for all-round development.

Despite these advantages the merit system suffers from some demerits. They are:

- Measuring merit is not easy.
- Many people, particularly trade union leaders, distrust the management's integrity in judging merit.
- The techniques of merit measurement are subjective.
- Merit denotes mostly the past achievement, efficiency but not the future success. Hence, the purpose of promotion may not be served if merit is taken as the sole criteria for promotion. Merit should mean future potentiality but not past performance in case of promotion.

**Seniority as a basis of promotion:** Seniority refers to relative length of service in the same job and in same organization. The logic behind considering the seniority as a basis of promotion is that there is a



positive correlation between the length of service in the same job and the amount of knowledge and the level of skill acquired by an employee in an organization. This system is also based on the custom that the first in should be given first chance in all benefits and privileges. The advantages of seniority as a basis of promotion are:

- It is relatively easy to measure the length of service and judge the seniority.
- Generally trade unions support this system.
- Every party would trust the management's action as there is no scope for favoritism, discrimination and judgment.
- It gives a sense of certainty of getting promotion to every employee and of their turn of promotion.
- Senior employees will have a sense of satisfaction to this system as the older employees are respected and their inefficiency cannot be pointed out.
- It minimizes the scope for grievances and conflicts regarding promotion.

In spite of these merits, this system also suffers from certain limitations. They are:

- The assumption that the employees learn more with length of service is not valid as employees may learn upto a certain stage and learning capabilities may diminish beyond a certain age.
- It demotivates the young and more competent employees and results in greater employee turnover.
- It kills the zeal and interest to develop, as everybody will be promoted without showing any all-round growth or promise.
- Judging the seniority, though it seems to be easy in a theoretical sense, is highly difficult in practice as the problems like job seniority, company seniority, zonal/regional seniority, service in different organizations, experience as apprentice trainee, trainee, researcher, length of service not only by days but by hours and minutes will crop up.

**Seniority-cum-merit:** Managements mostly prefer merit as the basis of promotion as they are interested in enriching organizational effectiveness by enriching its human resources. But trade unions' favor seniority as the sole basis for promotion with a view to satisfy the interests of majority of their members. The management, in these days of trade unions regulation and control, cannot go for merit or



ability as the sole basis of promotion. Even if the managements go for enriching its human resources, most of the employees may be dissatisfied with the job resulting in instability of employment, uncommitment, and disloyalty, high rate of absenteeism, grievances and industrial disputes. In addition, if most of the young ones are promoted, the human resources at the higher level may lack maturity, stability of mind and the skill of judgment. A number of benefits are tied to the length of service giving the impression to the employees that the benefit of promotion is also linked to the length of seniority. Though much can be said in favor of seniority, it cannot be taken as the sole basis in view of its effects on organizational effectiveness. Similarly, merit or ability cannot be taken as the sole basis in view of its limitations as discussed above. Hence, a combination of both seniority and merit may be considered as a sound basis for promotion.

### **Promotion Policy**

Every organization has to specify clearly its policy regarding promotion, based on its corporate policy. The basic characteristics of a systematic promotion policy may be stated thus: (i) It should be consistent in the sense that policy should be applied uniformly to all employees irrespective of the background of the persons. (ii) It should be fair and impartial. In other words it should not give room for nepotism, favoritism, etc. (iii) Systematic line of promotion channel should be incorporated. (iv) It should provide equal opportunities for promotion in all categories of jobs, departments and regions of an organization. (v) It should ensure open policy in the sense that every eligible employee should be considered for promotion rather than a closed system which considers only a class of employees. (vi) It should contain clear cut norms and criteria for judging merit; length of service, potentiality, etc. (vii) appropriate authority should be entrusted with the task of making final decision. (viii) Favoritism should not be taken as a basis for promotion. (ix) It should contain promotional counseling, encouragement, guidance and follow up regarding promotional opportunities, job requirements and acquiring the required skills, knowledge, etc. It should also contain reinforcing the future chances in the minds of rejected candidates and a provision for challenging the management's decision and action by employee or union within the limits of promotion policy.

### **Promotions vs Recruitment from outside**



Promotion from within is generally viewed as a reward for excellent services rendered by an employee, if such promotions are based on merit rather than seniority. Employees will be encouraged to show initiative and assume responsibility for their actions. It will keep their spirits high. The costs involved are also not very high, as insiders know their job and it's relatively easy to train them for higher level positions.

However in-breeding should not always be encouraged, if the job demands specialised skills and talented people are available outside an organization. At times, promotion itself may become a bone of contention between the employer and the employee(s).

### **Contents of a Promotion Policy**

Promotion policy should contain the following items:

1. The percentage of vacancies to be filled by promotions and by external recruitment in each job family at different levels, in each department, region, etc.
2. The basis of promotion, i.e., merit, seniority or merit-cum-seniority should be spelt out clearly.
3. The norms to judge merit, tests to be used to measure merit and potentiality, norms to measure the seniority on the job, in the department, in the organization, etc. Clear cut guidelines should also be framed for computing overall seniority: (a) when the employees work in different jobs, departments, organizations on deputation, line; (b) when employees avail themselves of the different types of leave facility, etc.; and (c) when employees are suspended on disciplinary grounds and when retrenched employees are taken back. Seniority should be clearly specified whether it is job seniority, departmental seniority, zonal seniority or organizational seniority.
4. The weightage to be given for merit and seniority if the basis of merit-cum-seniority is followed for promotion.
5. Other criteria to be taken into consideration in case two or more employees are assigned the same rank.
6. Promotion policy should contain the groups of jobs with same job requirements, class of the jobs based on the level of skill requirements.





7. Establishment of clear cut promotional channels from one level of job to another, from one department to another, one unit to another and from one region to another.
8. Necessary qualifications, level of performance on the present job, level of potentialities to be possessed by employees to be considered for promotion.
9. Mode of acquiring the new skills, knowledge and facilities offered by the organization like guidance by superiors, training facilities, leave facilities for acquiring higher academic qualifications, facilities to attend management development programmes in home, foreign countries, etc.
10. Promotion policy should also contain alternatives to promotion when deserving candidates are not promoted due to lack of vacancies at higher level. These alternatives include upgradation, redesignation, sanctioning of higher pay or increments or allowances assigning new and varied responsibilities to the employee by enriching the job or enlarging the job.

An organization should keep complete personnel data and make it available to the line managers, who make the decision regarding promotions. Though all the line managers make the decision, there would be a central agency for coordination. Promotions initially may be for a trial period so as to minimize the mistakes of promotion. Promotion policy, once it is formulated, should be communicated to all employees, particularly to the trade union leaders. It should be reviewed periodically, based on the experiences and findings of the attitude and morale surveys.

### **Demotion**

Demotion is the downward movement of an employee in the organizational hierarchy with lower status and pay. It is a downgrading process where the employee suffers considerable emotional and financial loss in the form of lower rank, power and status, lower pay and poor working conditions.

**Causes:** There are several factors responsible for demotions:

- a A promotee is unable to meet the challenges posed by the new job.
- b Due to adverse business conditions, organizations may decide to lay off some and downgrade other jobs.
- c Demotions may be used as disciplinary tools against errant employees.



## Policy

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

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

## 6.2.7 Separation Practices

“A separation is a decision that the individual and the organization should part”, (Davis, p.264). The parting of ways could be at the instance of the employer or the employee. Separations can take several forms, such as temporary leaves of absence, attrition, layoffs.

**Temporary leaves of absence:** Employees may decide to leave their jobs temporarily due to various reasons, such as family, medical, education, etc.

**Resignation:** Employees may put in their papers voluntarily on grounds of health, marriage, better career prospects in other organizations, etc. (voluntary resignation). Sometimes the employers may direct the employee to resign on grounds of duty, indiscipline, and misappropriation of funds (forced resignation). If the employee refuses to fall in line, he may have to face disciplinary action. In case of voluntary resignations, the personnel department should examine the background factors carefully, so that rectification steps could be initiated in time. Replacing talented people in a short span of time is not possible. Also, training costs of new recruits may prove to be prohibitive. In order to trace out the real reasons behind resignations, it is better to conduct an exit interview with the employee who is quitting the organization. To elicit proper responses, the interviewer must ensure confidentiality of the



information leaked out by the employee. He must encourage the employee to reveal the 'truth'. Every attempt must be made to make the parting of ways more pleasant (e.g., conducting interview in a place where the employee is comfortable giving a patient and sympathetic hearing to the employee, wishing him success after settling all the dues, etc.)

**Retirement:** Employees retire from service on account of two reasons:

- **Compulsory Retirement:** Government employees retire compulsorily after attaining the age of retirement (i.e., 58 or 60).
- **Voluntary Retirement:** The employee may put in his papers on health grounds, family problems, etc. The normal retirement benefits (PF, pension, gratuity, encashment of earned leaves, etc.) are calculated and paid to all such employees who put in a minimum qualifying service. Sometimes, the employer may encourage the employee to retire voluntarily—with a view to reduce surplus staff and cut down labour costs. Attractive compensation benefits are generally in-built in all such plans (referred to as golden-hand shake scheme). To reduce post-retirement anxieties, companies these days organize counseling sessions, and offer investment related services (e.g., Citi Bank, Bank of America). Some companies extend medical and insurance benefits to the retirees also.

**Death:** Some employees may die in service. When the death is caused by occupational hazards, the employee gets compensation as per the provisions of Workmen's Compensation Act, 1923. On compassionate grounds some organizations offer employment to the spouse/ child/dependent of the employee who dies in the service.

The normal separation of people from an organization owing to resignation, retirement or death is known as 'attrition'. It is initiated by the individual employee, not by the company.

**Lay off and retrenchment:** A lay off entails the separation of an employee from the organization for economic or business reasons (breakdown of machinery, seasonal fluctuations in demand, piling up of inventory; shortage of power, raw materials; production delays, downsizing, mergers and acquisitions, etc.). The factors leading to a lay off, thus, are beyond the control of the employer. The services of the employees are not utilized during the layoff periods. If the layoff is for a temporary period the employees are likely to be called back to join the ranks once again. Since it is in the nature of temporary



denial of employment, the employer/employee relationship does not come to an end. When the layoff is caused by a business cycle, it may last many months or even years. In seasonal industries (like mines, sugar, etc.) lay off occurs routinely. If layoffs occur because of restructuring, such as downsizing or mergers and acquisitions, a temporary layoff may become permanent. When the layoff become a permanent one, it is called retrenchment.

Retrenchment is generally on account of surplus staff, poor demand for products, general economic slowdown, etc. It should be noted here that termination of services on disciplinary grounds, illness, retirement, and winding up of a business does not constitute retrenchment. In respect of organizations employing 100 or more persons, the Industrial Dispute Act, 1947, makes it obligatory for the employer to give advance notice or pay equivalent wages before the actual lay off date. To claim 50 per cent of basic wages plus dearness allowances, the workman (who is not a casual worker, whose name appears on pay roll, who has completed 12 month of continuous service) must present himself on each working day at the appointed time inside the factory/office premises during the lay off period. If necessary, he might be asked to report a second time during the same day. While laying off workman, the employer is expected to follow the first-in-last-out principle. He should give preference to such workmen if he advertises for re-employment against future openings. The employer has to give three months' notice before retrenching the worker and get prior approval from the government as well.

**Outplacement:** Employees who are retrenched/laid off may have difficulty in finding an alternative job if the market conditions are adverse. There might be a demand for certain category of employees possessing multiple skills, but the retrenched employees may not have those 'marketable skills'. To fill this vacuum, some organizations offer training in such skills and assist the retrenched employees in finding a suitable job elsewhere. Outplacement assistance includes 'efforts made by employer to help a recently separated worker find a job' (Davis, p.269). Apart from training, some multinational firms offer assistance in the form of paid leave, travel charges for attending interviews, search firm charges, waiving bond requirements to the retrenched employees. Bank of America has given a 'fat sum' as liberal retrenchment compensation running into several lakhs of rupees to all eligible retrenched officers in 1998. It has also held counseling sessions to those officers on issues such as how to repay their car/house loans, where to invest their money, etc. Search firms were also hired to find suitable employment. When the downsizing effort stabilized, Bank of America has even extended the former



employees' a 'warm welcome back home!' Such outplacement assistance, in whatever form it is available, assures the remaining employees management commitment towards their welfare if a further downsizing takes place.

**Suspension:** Suspension means prohibiting an employee from attending work and normal duties assigned to him. It is a sort of punishment for a specified period and is generally resorted to only after a proper inquiry has been conducted. During suspension, the employee receives a subsistence allowance. If the charges against the suspended employee are serious and are proved, suspension may lead to termination also.

**Discharge and dismissal:** Dismissal is the termination of the services of an employee as a punitive measure for some misconduct. Discharge also means termination of the service of an employee, but not necessarily as a punishment step. A discharge does not arise from a single, irrational act, but may be various reasons. Discharge/dismissal is a drastic measure seriously impairing the earnings potential and the image of an employee. It should be used sparingly, in exceptional cases where the employee has demonstrated continued inefficiency, gross insubordination or continued violating rules even after several warnings. Before discharging the employee, advance notice of the impending danger must be given and the reasons of discharge must be stated clearly. The employee should be given the opportunity to defend himself. If the grounds under which an employee has been discharged are not strong enough, there should be a provision for reviewing the case. In any case, the punishment should not be out of proportion to the offence.

### 6.3 Check your Progress

1. .... means prohibiting an employee from attending work and normal duties assigned to him. It is a sort of punishment for a specified period and is generally resorted to only after a proper inquiry has been conducted.
- 2..... is generally on account of surplus staff, poor demand for products, general economic slowdown, etc. It should be noted here that termination of services on disciplinary grounds, illness, retirement, and winding up of a business does not constitute it.



3..... may turn employees into mental wrecks. It may have a devastating impact on employee morale. It is an extremely painful action, impairing relationships between people permanently.

4..... refers to upward movement of an employee from current job to another that is higher in pay, responsibility and/or organizational level.

5. An ..... where an experienced employee is asked to show the new workers around, conduct the introduction for the supervisor and answer the newcomer's questions.

6. In .....process through which the new recruit begins to understand and accept the values, norms and beliefs held by others in the organization.

## 6.4 Summary

Once the candidate is recruited and selected to become a part of the organization, the process of induction and placement gets initiated. The lesson presents the definition and purpose of this process and outlines the content and responsibility for induction. The lesson also discusses in detail the concepts of internal mobility. Transfers, promotions and demotions are dealt as subject matter. Purpose, types, merits and demerits of each form of internal mobility have been highlighted. Lastly, the concept of separation and its various forms, such as resignation, layoff, outplacement, suspension and dismissal have been dealt in detail.

## 6.5 Keywords

- **Placement:** Actual posting of an employee to a specific job – with rank and responsibilities attached to it.
- **Induction:** Introduction of a person to the job and the organization.
- **Socialization:** The process through which the new recruit begins to understand and accept the values, norms and beliefs held by others in the organization.
- **Buddy System:** An orientation programme where an experienced employee is asked to show the new workers around, conduct the introduction for the supervisor and answer the newcomer's questions.
- **Internal Mobility:** The lateral or vertical movement of an employee within an organization.



- **Layoff:** A layoff entails the separation of the employee from the organization for economic or business reasons.
- **Retrenchment:** A permanent lay off for reasons other than punishment but not retirement or termination owing to ill health.
- **Outplacement Assistance:** Efforts made by the employer to help a recently separated worker find a job.
- **Attrition:** The normal separation of people from an organization owing to resignation, retirement or death.

## 6.6 Self-Assessment Test

1. Explain the terms 'placement' and 'induction'. Outline their objectives.
2. What are the components of an employee induction programme? What measures should be taken to make the induction programme successful?
4. Explain the term 'retrenchment'. What precautions should be taken while retrenching employees?
5. What do you mean by 'outplacement'? Is the employer under any obligation to extend outplacement assistance to employees?
6. What is 'demotion'? Why is it needed? Explain the requirements of a proper demotion policy.
7. Assume your company is dedicated to giving employees careers, not just jobs. What actions would you recommend to minimize layoffs resulting from the ups and down of economic cycles?
8. What is 'promotion'? Explain the relative merits and demerits of seniority and merit as the basis of promoting employees.
9. What is 'transfer'? What are the reasons for transfer? Explain the contents of a systematic transfer policy.

## 6.7 Answers to check your Progress

1. Suspension



2. Retrenchment
3. Demotion
4. Promotion
5. Orientation programme
6. Socialization

### 6.8 References/Suggested Readings

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<b>TRAINING AND DEVELOPMENT: CONCEPT AND METHODS</b>	

## STRUCTURE

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## 7.1 Learning Objectives

This chapter defines the Training and Development. It highlights the Need and Objectives of Training. It explains Types of Training. It examines role of Systematic Approach to Training and Training Methods and evaluation of a Training Programme.

After reading this lesson, students will be able to:

- Defining Training and Development
- Explain Need and Objectives of Training
- Examine Types of Training
- Explain the Systematic Approach to Training and Training Methods
- Evaluation of a Training Programme and Executive Development

## 7.2 Introduction

After employees have been selected for various positions in an organization, training them for the specific tasks to which they have been assigned assumes great importance. It is true in many organizations that before an employee is fitted into a harmonious working relationship with other employees, he is given adequate training. Training is an important activity in many organizations. We generally see that when a new machine is installed in a factory, it is operated on trial basis before going into actual production. “Just as equipment needs a breaking in period, a new employee also needs a training period to adjust to the new environment”.

### 7.2.1 Defining Training and Development

According to Flippo, training is the act of increasing the knowledge and skills of an employee for doing a particular job. The major outcome of training is learning. A trainee learns new habits, refined skills and useful knowledge during the training that helps him improve performance. Training enables an employee to do his present job more efficiently and prepare himself for a higher level job. Training, thus, may be defined as a planned programme designed to improve performance and bring about measurable changes in knowledge, skills, attitude and social behavior of employees.

Basically, it is a learning experience that is planned and carried out by the organization to enable more skilled task behavior by the trainee. Training imparts the ability to detect and correct error. Furthermore,



it provides skills and abilities that may be called on in the future to satisfy the organization's human resources needs. Training may be carried out on the job or in the classroom and in the latter case, it may be on site or off site – perhaps in a motel or a training centre – or it may be in a simulated environment that is thought to be similar to the work environment in important respects. In any case, trainees are expected to acquire abilities and knowledge that will enable them to perform their jobs more effectively.

### **Features of Training**

- Increases knowledge and skills for doing a job
- Bridges the gap between job needs and employee skills, knowledge and behavior
- Job-oriented process, vocational in nature
- Short-term activity designed essentially for operatives

### **Training vs Development**

Training often has been referred to as teaching specific skills and behavior. Examples of training are learning to fire a rifle, to shoot foul shots in basketball and to type. It is usually reserved for people who have to be brought up to performing level in some specific skills. The skills are almost always behavioral as distinct from conceptual or intellectual.

Development, in contrast, is considered to be more general than training and more oriented to individual needs in addition to organizational needs and it is most often aimed toward management people. There is more theory involved with such education and hence less concern with specific behavior than is the case with training. Usually the intent of development is to provide knowledge and understanding that will enable people to carry out non-technical organizational functions more effectively, such as problem solving, decision-making and relating to people.

Thus, training is meant for operatives and development is meant for managers. Training tries to improve a specific skill relating to a job whereas development aims at improving the total personality of an individual. Training is a one-shot deal; whereas development is an ongoing, continuous process. Training is mostly the result of initiatives taken by management. It is the result of some outside motivation. Development is mostly the result of internal motivation. Training seeks to meet the current requirements of the job and the individual; whereas development aims at meeting the future needs of the



job and the individual. In other words, training is a reactive process whereas development is a proactive process. Development is future oriented training, focusing on the personal growth of the employee.

### **Training vs Education**

Term “education” is wider in scope and more general in purpose when compared to training. Training is the act of increasing the knowledge and skills of an employee while doing a job. It is job-oriented (skill learning). Education, on the other hand, is the process of increasing the general knowledge and understanding of employees. It is a person-oriented, theory-based knowledge whose main purpose is to improve the understanding of a particular subject or theme (conceptual learning). Its primary focus is not the job of an operative. Education is imparted through schools or colleges and the contents of such a programme generally aim at improving the talents of a person. Training is practice-based and company-specific. However, both have to be viewed as programmes that are complementary and mutually supportive. Both aim at harnessing the true potential of a person/employee.

### **7.2.2 Need and Objectives of Training**

Training is the act of increasing the knowledge and skills of an employee for performing a particular job. It is concerned with important specific skills for a particular purpose. Training is mainly job-oriented; it aims at maintaining and improving current job performance. Training is needed to achieve the following purposes:

- Newly recruited employees require training so as to perform their tasks effectively.
  - Instruction, guidance, coaching help them to handle jobs competently, without any wastage.
  - Training is necessary to prepare existing employees for higher-level jobs (promotion).
  - Existing employees require refresher training so as to keep abreast of the latest developments in job operations. In the face of rapid technological changes, this is an absolute necessity.
  - Training is necessary when a person moves from one job to another (transfer).
  - Training is necessary to make employees mobile and versatile. They can be placed on various jobs depending on organizational needs.
  - Training is needed to bridge the gap between what the employee has and what the job demands.
- Training is needed to make employees more productive and useful in the long-run.



## Importance

- Training offers innumerable benefits to both employees and employers. It makes the employee more productive and more useful to an organization. Generally the training policies are formulated by the HR manager at the request of line managers. The training objectives are laid down keeping in view the company's goals and objectives. But the general objectives of any training programme are:
  - To impart the basic knowledge and skill to the new entrants and enable them to perform their jobs well.
  - To equip the employee to meet the changing requirements of the job and the organization.
  - To teach the employees the new techniques and ways of performing the job or operations.
  - To prepare employees for higher level tasks and build up a second line of competent managers.

## Training and Learning Principles:

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

**Modeling:** Modeling is simply copying someone else's behavior. Passive class room learning does not leave any room for modeling. If we want to change people, it would be a good idea to have videotapes of people showing the desired behavior. The selected model should provide the right kind of behavior to be copied by others. A great deal of human behavior is learned by modeling others. Children learn by modeling parents and older children, they are quite comfortable with the process by the time they grow up.

**Motivation:** For learning to take place, intention to learn is important. When the employee is motivated, he pays attention to what is being said, done and presented. Motivation to learn is influenced by the answers to questions such as: How important is my job to me? How important is the information? Will learning help me progress in the company? etc. People learn more quickly when the material is important and relevant to them. Learning is usually quicker and long-lasting when the



learner participates actively. Most people, for example, never forget how to ride a bicycle because they took an active part in the learning process!

**Reinforcement:** If a behavior is rewarded, it probably will be repeated. Positive reinforcement consists of rewarding desired behaviors. People avoid certain behaviors that invite criticism and punishment. A bank officer would want to do a post graduate course in finance, if it earns him increments and makes him eligible for further promotions. Both the external rewards (investments, praise) and the internal rewards (a feeling of pride and achievement) associated with desired behaviors compel subjects to learn properly. To be effective, the trainer must reward desired behaviors only. If he rewards poor performance, the results may be disastrous: good performers may quit in frustration, accidents may go up, productivity may suffer. The reinforcement principle is also based on the premise that punishment is less effective in learning than reward. Punishment is a pointer to undesirable behaviors. When administered, it causes pain to the employee. He may or may not repeat the mistakes. The reactions may be mild or wild. Action taken to repeal a person from undesirable action is punishment. If administered properly, punishment may force the trainee to modify the undesired or incorrect behaviors.

**Feedback:** People learn best if reinforcement is given as soon as possible after training. Every employee wants to know what is expected of him and how well he is doing. If he is off the track, somebody must put him back on rails. The errors in such cases must be rectified immediately. The trainee after learning the right behavior is motivated to do things in a 'right' way and earn the associated rewards. Positive feedback (showing the trainee the right way of doing things) is to be preferred to negative feedback (telling the trainee that he is not correct) when we want to change behavior.

**Spaced Practice:** Learning takes place easily if the practice sessions are spread over a period of time. New employees learn better if the orientation programme is spread over a two or three day period, instead of covering it all in one day. For memorizing tasks, 'massed' practice is usually more effective. Imagine the way schools ask the kids to say the prayer loud. Can you memorize a long poem by learning only one line per day? You tend to forget the beginning of the poem when you reach the last stanza. For 'acquiring' skills as stated by Mathis and Jackson, spaced practice is usually the best. This incremental approach to skill acquisition minimizes the physical fatigue that deters learning.



**Whole Learning:** The concept of whole learning suggests that employees learn better if the job information is explained as an entire logical process, so that they can see how the various actions fit together into the ‘big picture’. A broad overview of what the trainee would be doing on the job should be given top priority, if learning has to take place quickly. Research studies have also indicated that it is more efficient to practice a whole task all at once rather than trying to master the various components of the task at different intervals.

**Active Practice:** ‘Practice makes a man perfect’ so said Bacon. To be a swimmer, you should plunge into water instead of simply reading about swimming or looking at films of worlds’ best swimmers. Learning is enhanced when trainees are provided ample opportunities to repeat the task. For maximum benefit, practice sessions should be distributed over time.

**Applicability of Training:** Training should be as real as possible so that trainees can successfully transfer the new knowledge to their jobs. The training situations should be set up so that trainees can picture the types of situations they can come across on the job.

**Environment:** Finally, environment plays a major role in training. It is natural that workers who are exposed to training in comfortable environments with adequate, well spaced rest periods are more likely to learn than employees whose training conditions are less than ideal. Generally speaking, learning is very fast at the beginning. Thereafter the pace of learning slows down as opportunities for improvement are reduced.

**Areas of Training:** The Areas of Training in which training is offered may be classified into the following categories:

**Knowledge:** Here the trainee learns about a set of rules and regulations about the job, the staff and the products or services offered by the company. The aim is to make the new employee fully aware of what goes inside and outside the company.

**Technical Skills:** The employee is taught a specific skill (e.g., operating a machine, handling computer etc.) so that he can acquire that skill and contribute meaningfully.



**Social Skills:** The employee is made to learn about himself and other, develop a right mental attitude towards the job, colleagues and the company. The principal focus is on teaching the employee how to be a team member and get ahead.

**Techniques:** This involves the application of knowledge and skill to various on-the-job situations. In addition to improving the skills and knowledge of employees, training aims at molding employee attitudes: When administered properly, a training programme will go a long way in obtaining employee loyalty, support and commitment to company activities.

### 7.2.3 Types of Training

A wide variety of training programmes are used in different organizations, depending on requirements and size of their manpower. Some of the commonly used programmes may be listed thus

**Orientation training:** Orientation or induction training tries to put the new recruits at ease. Each new employee is usually taken on a formal tour of the facilities, introduced to key personnel and informed about company policies, procedures and benefits. To be effective, orientation training should be well planned and conducted within the first week of employment. Such a pre-job training helps the recruit to familiarize himself with the job and its settings.

**Job instruction training:** Job Instruction Training (JIT) was popular during World War II. JIT was offered to white-and-blue-collar employees and technicians, with a view to improve their job-specific skills. The approach, basically, consisted of four steps:

- i. Orient trainees to the job situation by providing them with an overview of the job.
- ii. Demonstrate the entire job, using the services of experienced trainers.
- iii. Ask trainees to do the job as often as necessary until satisfactory performance is obtained.
- iv. Evaluate employee performance periodically and offer supplementary training, if necessary.

**Refresher training:** Rapid changes in technology may force companies to go in for this kind of training. By organizing short-term courses which incorporate the latest developments in a particular field, the





company may keep its employees up-to-date and ready to take on emerging challenges. It is conducted at regular intervals by taking the help of outside consultants who specialize in a particular descriptive.

**Apprenticeship training:** Commonly found in industries such as carpentry and plumbing, apprentices are trainees here who spend a prescribed period of time working with an experienced, master worker.

**Vestibule training:** It is training offered on actual equipment used on the job but conducted away from the actual work setting – a simulated work situation.

### 7.2.4 Systematic Approach to Training

Training is most effective when it is planned, implemented and evaluated in a systematic way. Unplanned, uncoordinated and haphazard training efforts greatly reduce the learning that can be expected.

#### Training needs Assessment

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

**Organizational analysis:** It involves a study of the entire organization in terms of its objectives, its resources, the utilization of these resources, in order to achieve stated objectives and its interaction pattern with environment. The important elements that are closely examined in this connection are:

- **Analysis of objectives:** This is a study of short term and long term objectives and the strategies followed at various levels to meet these objectives.
- **Resource utilization analysis:** How the various organizational resources (human, physical and financial) are put to use is the main focus of this study. The contributions of various departments are also examined by establishing efficiency indices for each unit. This is done to find out comparative labour costs, whether a unit is under manned or over manned.
- **Environmental scanning:** Here the economic, political, socio-cultural and technological environment of the organization is examined.



- **Organizational climate analysis:** The climate of an organization speaks about the attitudes of members towards work, company policies, supervisors, etc. Absenteeism, turnover ratios generally reflect the prevailing employee attitudes. These can be used to find out whether training efforts have improved the overall climate within the company or not.

**Task or role analysis:** This is a detailed examination of a job, its components, its various operations and conditions under which it has to be performed. The focus here is on the roles played by an individual and the training needed to perform such roles. The whole exercise is meant to find out how the various tasks have to be performed and what kind of skills, knowledge, attitudes are needed to meet the job needs. Questionnaires, interviews, reports, tests, observation and other methods are generally used to collect job related information from time-to-time. After collecting the information, an appropriate training programme may be designed, paying attention to (i) performance standards required of employees, (ii) the tasks they have to discharge, (iii) the methods they will employ on the job and (iv) how they have learned such methods, etc.

**Manpower analysis:** Here the focus is on the individual in a given job. There are three issues to be resolved through manpower analysis. First we try to find one whether performance is satisfactory and training is required. Second, whether the employee is capable of being trained and the specific areas in which training is needed. Finally, we need to state whether poor performances (who can improve with requisite training inputs) on the job need to be replaced by those who can do the job. Other options to training such as modifications in the job or processes should also be looked into. Personal observation, performance reviews, supervisory reports, diagnostic tests help in collecting the required information and select particular training options that try to improve the performance of individual workers.

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

### 7.2.5 Training Methods

Training methods are usually classified by the location of instruction. On the job training is provided when the workers are taught relevant knowledge, skills and abilities at the actual workplace; off-the-job



training, on the other hand, requires that trainees learn at a location other than the real workspot. Some of the widely used training methods are listed below.

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

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

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

### **Coaching and Mentoring**

Coaching is a one-on-one relationship between trainees and supervisors which offer workers continued guidance and feedback on how well they are handling their tasks. Mentoring is a particular form of coaching used by experienced executives to groom junior employees. Normally, mentoring involves one-on-one coaching for a period of several years until the individual is eventually capable of replacing the mentor.

### **Job Rotation**

This kind of training involves the movement of trainee from one job to another. This helps him to have a general understanding of how the organization functions. Apart from releasing boredom, job rotation allows workers to build rapport with a wide range of individuals within the organization, facilitating future cooperation among departments. The cross-trained personnel offer a great amount of flexibility for organizations when transfers, promotions or replacements become inevitable.



Job rotation may pose several problems, especially when the trainees are rolled on various jobs at frequent intervals. In such a case, trainees do not usually spend long enough in any single phase of the operation to develop a strong degree of expertise. For slow learners, it does not give enough room to integrate resources properly. Trainees can become confused when they are exposed to rotating managers, with contrasting styles of operation. Today's manager's commands may be replaced by another set by another manager!

### **Apprenticeship Training**

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

### **Committee Assignments**

In this method, trainees are asked to solve an actual organizational problem. The trainees have to work together and offer solution to the problem. This method of training helps them develop team spirit and work united toward common goals.

The above on the job methods are cost effective. Workers actually produce while they learn. Since immediate feedback is available, they motivate trainees to observe and learn the right way of doing things. Very few problems arise in the case of transfer of training because the employees learn in the actual work environment where the skills that are learnt are actually used. On the job methods may cause disruptions in production schedules. Experienced workers cannot use the facilities that are used in



training. Poor learners may damage machinery and equipment. Finally, if the trainer does not possess teaching skills, there is very little benefit to the trainee.

### **Off the Job Methods**

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

#### ***Vestibule training:***

In this method, actual work conditions are simulated in a class room. Material, files and equipment those are used in actual job performance are also used in training. This type of training is commonly used for training personnel for electrical and semi-skilled jobs. The duration of this training ranges from a few days to a few weeks. Theory can be related to practice in this method.

#### ***Role playing:***

It is defined as a method of human interaction that involves realistic behavior in imaginary situations. This method of training involves action, doing and practice. The participants play the role of certain characters, such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman, workers and the like. This method is mostly used for developing interpersonal interactions and relations.

#### ***Lecture method:***

The lecture is a traditional and direct method of instruction. The instructor organises the material and gives it to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees. An advantage of lecture method is that it is direct and can be used for a large group of trainees. Thus, costs and time involved are reduced. The major limitation of the lecture method is that it does not provide for transfer of training effectively.

#### ***Conference/discussion approach:***



In this method, the trainer delivers a lecture and involves the trainee in a discussion so that his doubts about the job get clarified. When big organizations use this method, the trainer uses audio-visual aids such as blackboards, mockups and slides; in some cases the lectures are videotaped or audio taped. Even the trainee's presentation can be taped for self-confrontation and self-assessment. The conference is, thus, a group-centered approach where there is a clarification of ideas, communication of procedures and standards to the trainees. Those individuals who have a general educational background and whatever specific skills are required – such as typing, shorthand, office equipment operation, filing, indexing, recording, etc., may be provided with specific instructions to handle their respective jobs.

### ***Programmed instruction:***

In recent years this method has become popular. The subject-matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instructions. The trainee goes through these units by answering questions or filling the blanks. This method is, thus, expensive and time-consuming.

### **Behaviorally Experienced Training**

Some training programmes focus on emotional and behavioral learning. Here employees can learn about behavior by role playing in which the role players attempt to act their part in respect of a case, as they would behave in real-life situation. Business games, cases, incidents, group discussions and short assignments are also used in behaviorally-experienced learning methods. Sensitivity training or laboratory training is an example of a method used for emotional learning. The focus of experiential methods is on achieving, through group processes, a better understanding of oneself and others. These are discussed elaborately in the section covering Executive Development Programmes.

### **Contributions of Training**

The contributions of training to a company should be readily apparent. The major values are:

- ***Increased productivity:*** An increase in skills usually results in an increment in both quality and quantity of output. However, the increasingly technical nature of modern jobs demands systematic training to make possible even minimum levels of accomplishment.



- **Improved morale:** Training helps employees to improve their job knowledge. It enables them to remain up-to-date. They can handle job operations with relative ease and comfort. They can work more competently. They can now meet the deadlines, achieve the targets and show performance. In short, their morale would be high. In the absence of training, they have to depend on others and wait for painfully long hours seeking an appointment with supervisors.
- **Reduced supervision:** The trained employee is one who can perform with limited supervision. Both employee and supervisor want less supervision but greater independence which is not possible unless the employee is adequately trained.
- **Reduced accidents:** More accidents are caused by deficiencies in people than by deficiencies in equipment and working conditions. Proper training in both job skills and safety attitudes should contribute towards a reduction in the accident rate.
- **Increased organizational stability:** The ability of an organization to sustain its effectiveness despite the loss of key personnel can be developed only through creation of a reservoir of employees. Flexibility, the ability to adjust to short-run variations in the volume of work requires personnel with multiple skills to permit their transfer to jobs where the demand is highest.

## 7.2.6 Evaluation of a Training Programme

The specification of values forms a basis for evaluation. The basis of evaluation and the mode of collection of information necessary for evaluation should be determined at the planning stage. The process of training evaluation has been defined as “any attempt to obtain information on the effects of training performance and to assess the value of training in the light of that information.” Evaluation helps in controlling and correcting the training programme. Hamblin suggested five levels at which evaluation of training can take place viz., reactions, learning, job behavior, organization and ultimate value.

1. **Reactions:** Trainee’s reactions to the overall usefulness of the training including the coverage of the topics, the method of presentation, the techniques used to clarify things, often, throw light on the effectiveness of the programme.



2. **Learning:** Training programme, trainer's ability and trainee's ability are evaluated on the basis of quantity of content learned and time in which it is learned and learner's ability to use or apply, the content he learned.
3. **Job behavior:** This evaluation includes the manner and extent to which the trainee has applied his learning to his job.
4. **Organization:** This evaluation measures the use of training, learning and change in the job behavior of the department/organization in the form of increased productivity, quality, morale, sales turnover and the like.
5. **Ultimate value:** It is the measurement of ultimate result of the contributions of the training programme to the company goals like survival, growth, profitability, etc. and to the individual goals like development of personality and social goals like maximising social benefit.

### Decision Points in Planning Training Evaluation

John Dopyera and Louise Pitone identified eight decision points in planning training evaluation. They are:

**Should an evaluation be done? :** Who should evaluate?

**What is the purpose of evaluation? :** There are mainly two purposes of doing evaluation. They are justification evaluation and determination evaluation. Justification evaluations are undertaken as reactions to mandates. Other purposes that will make evaluation efforts more fruitful. These purposes include training needs assessment, programme improvements and impact evaluation.

**What will be measured? :** The focus of the evaluation will be on training and delivery, programme content, materials, impact of training on individuals through learning, behavior or performance change. Learning can be measured through pre-test and post-test. Evaluate the effects of training after the trainee returns to the work place using changes in between or the work results as indicators.

**How comprehensive will the evaluation be?:** The scope or the duration and comprehensiveness of the evaluation is influenced by available support, communication and evaluation purpose.





**Who has the authority and responsibility?** : Who has the authority and responsibility at different stages of evaluation will be determined by the factors like personnel, credibility of internal staff, communication, objectivity of internal staff to do an evaluation regardless of results.

**What are the sources of data?** : The most common sources of evaluation data are reactions, opinions and/or test results of the participants, managers, supervisors, production records, quality control, financial records, personnel records, safety records, etc. **How will the data be collected and compiled?** : Data can be collected before training for needs analysis or pre-testing purpose, during training programme to make improvements along the way and after training for evaluation. Next step is selection of treatment or control groups and determination of nature of samples. Data can be compiled either manually or by computers.

**How will the data be analysed and reported?** : First reporting issue is concerned with audiences like participants or trainees, training staff, managers, customers etc. Second and third issues are concerned with analysis and results and accuracy, policies and format respectively.

These decision points are intended to increase awareness of and interest in the evaluation of training, to improve planning skills and to encourage more systematic evaluation of training.

### Methods of Evaluation

Various methods can be used to collect data on the outcomes of training. Some of these are:

- **Questionnaires:** Comprehensive questionnaires could be used to obtain opinions, reactions, and views of trainees.
- **Tests:** Standard tests could be used to find out whether trainees have learnt anything during and after the training.
- **Interviews:** Interviews could be conducted to find the usefulness of training offered to operatives.
- **Studies:** Comprehensive studies could be carried out eliciting the opinions and judgments of trainers, superiors and peer groups about the training.



- **Human resource factors:** Training can also be evaluated on the basis of employee satisfaction, which in turn can be examined on the basis of decrease in employee turnover, absenteeism, accidents, grievances, discharges, dismissals, etc.
- **Cost benefit analysis:** The costs of training (cost of hiring trainers, tools to learn, training centre, wastage, production stoppage, opportunity cost of trainers and trainees) could be compared with its value (in terms of reduced learning time, improved learning, superior performance) in order to evaluate a training programme.
- **Feedback:** After the evaluation, the situation should be examined to identify the probable causes for gaps in performance. The training evaluation information (about costs, time spent, outcomes, etc.) should be provided to the instructors, trainees and other parties concerned for control, correction and improvement of trainees' activities. The training evaluator should follow it up sincerely so as to ensure effective implementation of the feedback report at every stage.

## 7.2.7 Executive Development

### Need for Executive Development

Managers are a vital cog in the success of any organization. Without a competent executive reservoir, no organization is expected to hold a place of prominence despite having other valuable resources such as capital, technology and others. It is the managers who plan, organise, direct and control the resources and activities in every organization. Recognizing the importance of developing managerial talents from time to time, most organizations these days spend lavishly on executive development programmes. Management development has become indispensable to modern organizations in view of the following reasons:

- Without development and training, the skills of executives become obsolete. Executives must be given training to cope with change. Dale Yoder strongly remarks “without training, the executives lose their punch and drive and they die on the vine. Training and development are the only ways of overcoming the executive dropouts.”
- Basic change in the style of management and the posture of managers of today give rise to the training and development of the traditional managers. For instance, the new manager is much more



a diagnostician – he is a bridge builder linking the theory with practice. Dale Yoder points out that “the new manager is connoisseur of all the goodies coming onto the shelves from behavioral scientist.” Drucker is of the opinion that the executive’s job is to be effective and the effectiveness “can be learned”. Learning is an important factor in the success of executives.

- A trend toward conglomeration and integration in the present day business world calls for special training and development of managers. Manpower obsolescence turns out to be a costly game, as in the present era of stifling competition, the survival and success of the firm is increasingly depending on the manpower and especially the managerial quality.
- A major tool organizations have for harnessing knowledge is “executive talent”. Today’s too functionally-oriented executive is ill-equipped with the methods of handling the jobs. He requires adequate training and development along the new lines.
- Many executives exhibit fear for handling computers. The computer revolution is frightening for them and it needs no reiteration that they require development and training.
- Apart from the technical skills, the executives are required to learn the techniques of dealing with people. In the present day hyper-industrialized society, the methods of dealing with human resources are radically different from the past.
- Development programmes designed for executives are not new even though most of them are of recent origin. Such programmes started long back in 1920s but revived only during 1940s. History is replete with successful executive development programmes in General Foods, Standard Oil of New Jersey, Ford Motors, Johnson and Johnson, International Harvester, etc., USA. In India also, in several organizations, management development programmes have been conducted and are still continuing.

### Meaning

Management development is a systematic process of growth and development by which the managers develop their abilities to manage. It is the result of not only participation in formal courses of instruction but also of actual job experience. It is concerned with improving the performance of the managers by giving them opportunities for growth and development.



### Objectives of Management Development Programmes

The management development programmes are organized with view to achieve the following objectives:

- To overhaul the management machinery.
- To improve the performance of the managers.
- To give the specialists an overall view of the functions of an organization and equip them to coordinate each other's efforts effectively.
- To identify the persons with the required potential and prepare them for more senior positions.
- To increase the morale of the members of the management group.
- To increase the versatility of the management group.
- To keep the executives abreast of the changes and developments in their respective fields.
- To create the management succession which can take over in case of contingencies.
- To improve the thought processes and analytical abilities.
- To broaden the outlook of the executive regarding his role positions and responsibilities.
- To understand the economic, social, technical and conceptual issues.
- To understand the problems of human relations and improve human relation skills.
- To stimulate creative thinking.

### Steps in the Organization of a Management Development Programme

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

- Analysis of organizational development needs:*** After deciding to launch a management development programme, a close and critical examination of the present and future development needs of the organization has to be made. We should know how many and what type of managers are required to meet the present and future requirements. A comparison of the already existing talents with those that are required to meet the projected needs will help the top



management to take a policy decision as to whether it wishes to fill those positions from within the organization or from outside sources.

- **Appraisal of present management talents:** In order to make the above suggested comparison, a qualitative assessment of the existing executive talents should be made and an estimate of their potential for development should be added to that. Only then it can be compared with the projected required talents.
- **Inventory of management manpower:** This is prepared to have a complete information about each executive in each position. For each member of executive team, a card is prepared listing such data as name, age, length of service, education, work experience, health record, psychological test results and performance appraisal data, etc. The selection of the individuals for a management development programme is made on the basis of the kind of background they possess. Such information, when analysed, discloses the strengths as well as weaknesses or deficiencies of managers in certain functions relating to the future needs of the organizations.
- **Planning of individual development programmes:** Guided by the results of the performance appraisal that indicates the strengths and weaknesses of each of the executives, this activity of planning of individual development programme can be performed.
- **Establishment of development programmes:** It is the duty of the HR department to establish the developmental opportunities. The HR department has to identify the existing level of skills, knowledge, etc., of various executives and compare them with their respective job requirements. Thus, it identifies developmental needs and requirements and establishes specific development programmes, like leadership courses, management games, sensitivity training, etc.

### Methods of Executive Development

Management development programmes help in acquiring and developing different types of managerial skills and knowledge. Different types of techniques are used to acquire and develop various types of managerial skills and knowledge.

### Decision-making Skills



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

***In-basket:*** In this method, the participant is given a number of business papers such as memoranda, reports and telephone messages that would typically come across a manager's desk. The papers, presented in no particular sequence, call for actions ranging from urgent to routine handling. The participant is required to act on the information contained in these papers. Assigning a priority to each particular matter is initially required. If the trainee is asked to decide issues within a time-frame, it creates a healthy competition among participants. The method is simple and easy to follow. Trainees learn quickly as they have to list priorities, make assumptions, assign work to others and get things done within a time-frame. Since participants hail from various sections, it is easy to put out inter-departmental fires. On the negative side, the method is somewhat academic and away from real life situations. The participants, knowing well that they are handling an imaginary situation, may not be too excited about the whole exercise and may not fully commit themselves to the task.

***Case Study:*** This is a training method that employs simulated business problems for trainees to solve. The individual is expected to study the information given in the case and make decisions based on the situation. If the student is provided a case involving an actual company, he is expected to research the firm to gain a better appreciation of its financial condition and corporate culture. Typically, the case method is used in the class room with an instructor who serves as a facilitator.

***Business game:*** Simulations that represent actual business situations are known as business games. These simulations attempt to duplicate selected factors in a specific situation, which are then manipulated by the participants. Business games involve two or more hypothetical organizations competing in a given product market. The participants are assigned such roles as Managing Director, General Manager, Marketing Manager, etc. They make decisions affecting price levels, production volume and inventory levels. The results of their decisions are manipulated by a computer programme, with the results simulating those of an actual business situation. Participants are able to see how their decisions affect the other groups and vice versa.



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

**Role play:** This is a technique in which some problem – real or imaginary – involving human interaction is presented and then spontaneously acted out. Participants may assume the roles of specific organizational members in a given situation and then act out their roles. For example, a trainee might be asked to play the role of a supervisor who is required to discipline an employee smoking in the plant violating the rules. Another participant would assume the role of the employee. The individual playing the supervisory role would then proceed to take whatever action is deemed appropriate. This action then provides the basis for discussion and comments by the groups. Role play develops interpersonal skills among participants. They learn by doing things. Immediate feedback helps them correct mistakes, switch gears, change hats and reorient their focus in a right way. The competitive atmosphere spurs them to participate actively, listen to what others say, observe and analyze behavioral responses and improve their own performance by putting their textual learning to test.

**Sensitivity training:** This is a method of changing behavior through unstructured group interaction. Sensitivity training is sought to help individuals toward better relations with others. The primary focus is on reducing interpersonal friction. In sensitivity training the actual technique employed is T-group (T stands for training). It is a small group of ten to twelve people assisted by a professional behavioral scientist who acts as a catalyst and trainee for the group. There is no specified agenda. He merely creates the opportunity for group members to express their ideas and feelings freely. Since the trainer has no leadership role to play, the group must work out its own methods of proceeding. A leaderless and agenda-free group session is on. They can discuss anything they like. Individuals are allowed to focus on behavior rather than on duties. As members engage in the dialogue they are encouraged to learn about themselves as they interact with others.

### Features

The notable features of sensitivity training are:



- ☐ The primary objective of sensitivity training is to break through the barrier of intellectualization and verbalization to facilitate the participants experiencing his own behavior and effect. It says, “open your eyes. Look at yourself. See how you look to others. Then decide what changes, if any, you want to make and in which direction you want to do.”
- ☐ Sensitivity training emphasizes the process rather than the content of the training and focuses upon emotional rather than conceptual training.
- ☐ It is an experience-based methodology aimed at changing behavior through unstructured group interaction.
- ☐ It is not a set of hidden, manipulative processes, aimed at brainwashing individuals.
- ☐ It is not intended to suppress conflict, it is not a group therapy and it does not guarantee change.

### **Job Knowledge**

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

***On-the-job experience:*** On-the-job techniques are most widely used. No other technique may interest the trainee so much as the location of the learner is not an artificial one in the classroom techniques. The success of these techniques depends on the immediate supervisor and his teaching abilities. On-the-job techniques are especially useful for certain groups like scientific and technical personnel. Though the costs of training initially appear to be low, they may turn out to be high when wastages of all kinds are considered under this type of training. This method of learning in isolation may prove to be inadequate but in combination with other off-the-job techniques it may prove to be useful.

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





limitations of this technique is that the individual cannot develop much beyond the limits of his own boss's abilities.

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

**Organizational Knowledge** Managers in addition to the job knowledge should also possess the knowledge of various jobs, products, markets, finances, creditors of the organization. The techniques of imparting organizational knowledge are job rotation and multiple management.

**Job rotation:** The transferring of executives from job to job and from department to department in a systematic manner is called job rotation. The idea behind this is to give him the required diversified skills and a broader outlook, which are very important at the upper management levels. The management should provide a variety of job experiences for those judged to have the potential for higher ranks before they are promoted. Job rotation increases the inter-departmental cooperation and reduces the monotony of the work.

**Multiple management:** It is a system in which permanent advisory committees of managers study problems of the company and make recommendations to higher management. It is also called a Junior-board of executives.

**Lectures:** Lectures are formal presentations on a topic by an experienced and knowledgeable person. The presentation is generally supported by discussions, case studies, audio-visual aids and film shows. It is a simple and inexpensive way of imparting knowledge on a topic of special importance to a large audience. There could be a speedy interchange of ideas on a specific topic. The method may often degenerate into a kind of one-way traffic where the presenter tries to get ahead without paying attention to the reactions of audience. If the lecture is not interesting enough, the audience may not participate and offer any feedback. The listeners play a largely non-participatory role. They may ask questions but they never get the feel of what is being talked about. Moreover, participants do not share each other's



experiences and hence the learning is confined to what the presenter has to say. The method could be used effectively if the following things are kept in mind.

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

### Other Off-the-Job Methods

**Conferences:** The conference method is another commonly used method of executive development. Topics such as human relations, safety education, customer relations, sales training, are often discussed, debated, spoken about at conferences specially organized and designed for the purpose.

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

**Programmed instruction (PI):** It is based on certain behavioral laws, particularly dealing with reinforcement. Reinforcement means rewarding a correct response and punishing a wrong one. A major feature of PI is that it offers immediate feedback on whether the trainee has answered questions correctly or not. PI is a learner-oriented technique which presents subject matter to the trainees in small, sequential steps, requiring frequent responses from the trainee and immediately offering him of their accuracy or otherwise. If the response is accurate, he takes up the next level; if not, he is asked to go back and start again. The instructions are carefully planned moving from the simple to complex ones in a smooth way. A major plus point of the method is that it allows the trainee to learn in small steps at a



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

### 7.3 Check your Progress

1. .... is a system in which permanent advisory committees of managers study problems of the company and makes recommendations to higher management. It is also called a Junior-board of executives.
2. The transferring of executives from job to job and from department to department in a systematic manner is called .... The idea behind this is to give him the required diversified skills and a broader outlook, which are very important at the upper management levels.
3. An ..... is a person who is in training to assume at a future time, the full responsibility of the position currently held by his superior. This method supplies the organization a person with as much competence as the superior to fill his post which may fall vacant because of promotion, retirement or transfer.
4. .... is a systematic process of growth and development by which the managers develop their abilities to manage. It is the result of not only participation in formal courses of instruction but also of actual job experience. It is concerned with improving the performance of the managers by giving them opportunities for growth and development.
5. In ..... the trainee is placed under a particular supervisor who acts as an instructor and teaches job knowledge and skills to the trainee. He tells him what he wants him to do, how it can be done and follows up while it is being done and corrects errors.

### 7.4 Summary



Training and development programs aim to increase the productivity of employees and the effectiveness of organizations. Training is used to teach specific skills and behavior while development is more oriented to individual needs in addition to organizational needs. The lesson elucidates the distinction between training and development. It also discusses the objectives philosophy and types of training. It presents a systematic approach to training and discusses various on the job and off the job training methods. Various decision points in planning training evaluation have also been presented.

Management development has been defined and described in detail. The objectives and steps in the organization of a management development program have been presented in the lesson. The lesson also discusses various techniques of management development programs.

### 7.5 Keywords

- **Reinforcement:** It is positive or negative consequence of some behavior that is aimed at changing that behavior.
- **Mentoring:** An experienced employee offering guidance and support to a junior employee so that the later learns and advances in the organization.
- **Obsolescence:** A condition that results when an employee loses the knowledge or abilities to perform successfully due to changes in the field.
- **In-basket:** A method where the trainee is required to examine a basket full of papers and files relating to his area and make recommendations on problems contained therein.

### 7.6 Self-Assessment Test

- ☐ What are the objectives of employee training? Explain the benefits of training.
- ☐ What do you mean by 'training'? Distinguish between training, development and education.
- ☐ Explain the various methods of training.
- ☐ Distinguish between induction and training. Explain the importance of on-the-job training.
- ☐ Briefly outline the steps involved in conducting a training programme in a systematic way.
- ☐ How will you determine the training needs of an industrial organization?



- ☐ “Training programmes are helpful to avoid personnel obsolescence”. Discuss.
  - ☐ Explain whether and how the effectiveness of training programmes can be evaluated.
  - ☐ What are the principles that should be kept in mind while designing a sound employee training programme?
  - ☐ What do you mean by executive development? Discuss the methods of executive development.
  - ☐ Define Sensitivity Training. Discuss its merits and demerits.
17. Human Resource Development is nothing but looking at the development of manpower of an organization in the light of its requirements. Do you agree? Give reasons for your views.
18. State the importance of executive development, keeping the Indian conditions in mind.
19. Explain the principal executive training methods and suggest a suitable training package for middle level executives in a large organization.
20. Discuss the merits and demerits of case study as a method of executive development.

### 7.7 Answers to check your Progress

1. Multiple management
2. Job rotations.
3. Understudy
4. Management development
5. Coaching

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<b>RETENTION, RETENTION STRATEGY AND HR ACCOUNTING</b>	

## STRUCTURE

### 8.1 Learning Objectives

### 8.2 Introduction

#### 8.2.1 Importance of Retention

#### 8.2.2 Retention Strategies

#### 8.2.3 Challenges of Employees Retention

#### 8.2.4 Definitions and objectives of Human Resource Accounting

#### 8.2.5 Benefits of Human Resource Accounting

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## 8.1 Learning Objectives

This lesson highlights the Importance of Retention. It explains the Retention Strategies. It examines Challenges of Employees Retention. It explains the definitions and objectives of Human Resource Accounting. It examines the Methods/Techniques of Human Resource Accounting. Further, it highlights the Limitations of Human Resource Accounting and HR Accounting Practices in India.

After reading this lesson, students will be able to:

- Describe the Importance of Retention
- Explain the Retention Strategies
- Identify the Challenges of Employees Retention
- Explain the definitions and objectives of Human Resource Accounting
- Examine the Methods/Techniques of Human Resource Accounting
- Highlight the Limitations of Human Resource Accounting and HR Accounting Practices in India

## 8.2 Introduction

Employee retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time. Every organization invests time and money to groom a new joined and make him corporate ready material and bring him at par with the existing employees. The organization is completely at loss when the employees leave their job once they are fully trained. Employee retention takes into account the various measures taken so that an individual stays in an organization for the maximum period of time.

### Why do Employees Leave?

Research says that most of the employees leave an organization out of frustration and constant friction with their superiors or other team members. In some cases low salary, lack of growth prospects and motivation compel an employee to look for a change. The management must try its level best to retain those employees who are really important for the system and are known to be effective contributors.





### 8.2.1 Importance of Retention

Retention is defined as the process by which a company ensures that its employees don't quit their jobs. Every company and industry has a varying retention rate, which indicates the percentage of employees who remained with the organization during a fixed period. Employee Retention refers to the techniques employed by the management to help the employees stay with the organization for a longer period of time. Employee retention is a phenomenon where employees choose to stay on with their current company and don't actively seek other job prospects. The opposite of retention is turnover, where employees leave the company for a variety of reasons. Employee retention strategies go a long way in motivating the employees so that they stick to the organization for the maximum time and contribute effectively. Sincere efforts must be taken to ensure growth and learning for the employees in their current assignments and for them to enjoy their work.

Employee retention has become a major concern for corporate in the current scenario. Individuals once being trained have a tendency to move to other organizations for better prospects. Lucrative salary, comfortable timings, better ambience, growth prospects are some of the factors which prompt an employee to look for a change. Whenever a talented employee expresses his willingness to move on, it is the responsibility of the management and the human resource team to intervene immediately and find out the exact reasons leading to the decision. The retaining a valuable employee is essential for an organization due to the following reasons:-

- **Hiring is not an easy process:**

The HR Professional shortlists few individuals from a large pool of talent, conducts preliminary interviews and eventually forwards it to the respective line managers who further grill them to judge whether they are fit for the organization or not. Recruiting the right candidate is a time consuming process.

- **Investment of Time and Money:**

A new joined is completely raw and the management really has to work hard to train him for his overall development. It is a complete wastage of time and money when an individual leaves an organization all of a sudden. The HR has to start the recruitment process all over again for the



same vacancy; a mere duplication of work. Finding a right employee for an organization is a tedious job and all efforts simply go waste when the employee leaves.

- **Separated Employees Hired by Competitors:**

In such cases, employees tend to take all the strategies, policies from the current organization to the new one. Individuals take all the important data, information and statistics to their new organization and in some cases even leak the secrets of the previous organization. To avoid such cases, it is essential that the new joined is made to sign a document which stops him from passing on any information even if he leaves the organization. Strict policy should be made which prevents the employees to join the competitors. This is an effective way to retain the employees.

- **Familiar with Organization Policy:**

The employees working for a longer period of time are more familiar with the company's policies, guidelines and thus they adjust better. They perform better than individuals who change jobs frequently. Employees who spend a considerable time in an organization know the organization in and out and thus are in a position to contribute effectively.

- **Every individual needs time to adjust with others:**

One needs time to know his team members well, be friendly with them and eventually trust them. Organizations are always benefited when the employees are compatible with each other and discuss things among themselves to come out with something beneficial for all. When a new individual replaces an existing employee, adjustment problems crop up. Individuals find it really difficult to establish a comfort level with the other person. After striking a rapport with an existing employee, it is a challenge for the employees to adjust with someone new and most importantly trust him. It is a human tendency to compare a new joined with the previous employees and always find faults in him.

- **Loyal Employees:**

It has been observed that individuals sticking to an organization for a longer span are more loyal towards the management and the organization. They enjoy all kinds of benefits from the



organization and as a result are more attached to it. They hardly badmouth their organization and always think in favor of the management. For them the organization comes first and all other things later.

- **Potential Employees:**

It is essential for the organization to retain the valuable employees showing potential. Every organization needs hardworking and talented employees who can really come out with something creative and different. No organization can survive if all the top performers quit. It is essential for the organization to retain those employees who really work hard and are indispensable for the system.

The management must understand the difference between a valuable employee and an employee who doesn't contribute much to the organization. Sincere efforts must be made to encourage the employees so that they stay happy in the current organization and do not look for a change.

### **8.2.2 Retention Strategies**

Retention strategies refer to policies companies follow in order to retain employees and reduce turnover and attrition and ensure employee engagement. The main goal is to meet the expectations of employees without losing sight of the company's goals to ensure maximum return on investment.

A successful employee retention strategy requires to think about things from the team's point of view. No two employees are exactly alike, of course; each has unique desires and goals. But all of them want to feel appreciated by their employer and treated fairly. They want to be challenged and excited by their work. Moreover, they want to be [paid at or above market rates](#) with good benefits.

All of these concerns are important, but managers serious about retention do more than just the bare minimum. Here are some retention strategies that can boost employee retention:-

#### **Selection of Right Person**

Retention starts right from the beginning, from the application process to screening applicants to choosing who to interview. The selection of right person for the right job is the primary retention strategy. The new employees are doing so with the expectation that more employees will be quitting in the coming year. Every new hire should be set up for success from the very start. The on boarding



process should teach new staff members not only about the job but also the company culture and how they can contribute and thrive. The training and support provided from first day can set the tone for the employee's entire tenure at the company.

### **Mentorship programs**

Pairing a new employee with a mentor is a great component to add to continuing on boarding process. Mentors can offer guidance and be a sounding board for newcomers, welcoming them into the company. Moreover it's a win-win as new team members learn the ropes from experienced employees, and, in return, new hires offer a fresh viewpoint to mentors.

### **Employee compensation**

It's absolutely essential in this competitive labor market for companies to offer attractive compensation packages. That includes salaries, of course, but also bonuses, paid time off, health benefits and retirement plans. Every employee should have a full understanding of the benefits they receive from the organization from the beginning.

### **Perks**

Whether it's paid time off for volunteering, occasional catered lunches or free snacks and coffee every day, perks can make the workplace stand out and boost employee morale. Some companies negotiate group discounts on big-ticket purchases, from cars and homes to smart phones and home security systems.

### **Conducive Work Environment**

Work environment is need to be conducive, among many other things, when the management knows where it is headed, when the organization has strong ethics and culture, when people feel like they belong there, when they see that everyone is treated just and when communication flows easily. There will always be work-related stress because of deadlines, client meetings etc. but as an employer make sure that it is just temporary.

### **Communication and feedback**

Keeping open lines of communication is a formal way of describing a practice that's essential for employee retention. The employees can come with ideas, questions and concerns, and they expect to be



honest and open with them about improvements, they need to make in their performance. It is need to connect with each staff member on a regular basis.

### **Annual performance reviews**

The employees throughout the year need to check on their job satisfaction. This process will highlight the short- and long-term goals and their future with the company.

### **Training and development**

It a priority to invest in workers' professional development and seek opportunities for them to grow. Some companies pay fees and travel for employees to attend conferences or industry events each year, provide tuition reimbursement, or pay for continuing education training.

### **Matching of Expectation, Recognition and rewards systems**

Most of the dissatisfaction at work is related to a clear mismatch between expectations. Then there is the part when they feel that their efforts are not being recognized and rewarded well or the disillusion of how their work is contributing in the bigger picture. There should be clear discussions in the team about the expectation of everyone, how everything is going to contribute to the bigger goal and most importantly, appreciate. The efforts should be duly rewarded.

Every person wants to feel appreciated for the work they do. Some companies set up formal rewards systems that incentivize great ideas and innovation.

### **Work-life balance**

Expecting staff to regularly work long hours and available always is not conducive to employee retention. A healthy work-life balance is essential to job satisfaction, and people need to know that their managers understand they have lives outside of work.

### **Flexible working arrangements**

Some organizations allow staff to choose a compressed workweek (e.g., four 10-hour days) or flextime, where employees are on the clock, say, from 6 a.m. to 4 p.m. or 10 a.m. to 7 p.m. The ability to telecommute and avoid sitting in traffic one or two days a week can be a significant stress reliever and retention booster.

**Provide ongoing education and clear paths to advancement**

Promoting from within not only provides a clear path to greater compensation and responsibility, it also helps employees feel that they're valued and a crucial part of the company's success.

**Dealing with change**

Every workplace has to deal with change, and staff will look to leadership for reassurance. If organization is going through a merger, a layoff or another big shift, keeping staff as informed as it will help to manage the rumors.

**Fostering teamwork**

The organization need to foster culture of collaboration by accommodating individuals' working styles and giving them the latitude to make smart decisions.

**Acknowledge milestones large and small**

Whether the team just finished a huge project under budget or an employee celebrated a 10-year work anniversary, seize the chance to celebrate together with a shared meal or group excursion.

**Termination and Outplacement**

Employees who leave on good terms are much more likely to recommend the company, and in doing so, help attract and retain future employees. They are the goodwill ambassador of the company.

**8.2.3 Challenges of Employees Retention**

There is a huge competition in the market for labor/employees. Controlling the rate of attrition in the organization is a major challenge now-a-days. Businesses everywhere are looking to expand and are open for new positions. This means that, from an HR perspective, there's a great deal of pressure for the organization to keep their most talented resources and provide them the best benefits to them for the benefit of the organization in a long run.

The challenging role of a HR is to keep the right resources in the right jobs while also acknowledging that employees are also capitalists. The keeping people around is more important in HR now than ever.



In today's market there are many great opportunities and people are sure to shift from their current jobs if they think they can find something better.

In the current scenario of, a major challenge for an organization is to retain its valuable and talented employees. The management can control the problem of employees quitting the organization within no time to a great extent but can't put a complete full stop to it. There are several challenges to it. The following are the challenges in Employee Retention:-

- **Salary Dissatisfaction**

Every employee has high salary expectations and this is one of the major reasons, why an employee quits the organization. Retention becomes a problem when an employee quotes for an exceptionally high salary, which is beyond the budget of the organization. Every organization has a salary budget for every employee which can be raised to some extent but not beyond a certain limit.

- **Job Opportunities are high**

There is a cut-throat competition to attract the best talent in the market. Companies go a long way to lure talented resources from their competitors. The availability of such lucrative offers makes it difficult to retain good resources for long.

- **Hiring the Wrong Candidate**

Recruitment plays an important role, which is the future of any organization. A right candidate hiring will give a good future and a wrong candidate hiring will give a bad future. Candidates speak all kind of lies at the time of interviews for getting a job. It is only later doing people realize that there has been a mismatch and thus look for a change. The problems arise whenever a right candidate is into a wrong job.

- **No Job Rotation**

Any employee gets bored, if he/she does the same job for years together. The job might be good and interesting in the starting phase, but soon, it could become monotonous. In this scenario, the management must go for a job rotation and provide such employees the opportunity to do something new. If there is no job rotation, then such employees might look for other avenues.



- **Unrealistic Expectations of Employees**

It is not possible for an organization to meet the expectations of all the employees. An employee must be mature enough to understand that one can't get all the comforts at the workplace. Sometimes, when the unrealistic expectations of the employees are not met, they look for a job change.

The employees are the real assets of any organization. An organization can't survive if the individuals are not focused and serious about their work. The success and failure of any organization depend on the hard work put by the employees to achieve the targets of the organization. It is a common observation that employees who spend a good amount of time in the organization tend to know more about it and thus contribute effectively. They develop a sense of loyalty towards their workplace and strive hard to live up to the expectations of the management.

There are several reasons as to why an employee decides to move on. Monetary dissatisfaction, a negative environment at the workplace, dirty politics, complicated hierarchies, lack of challenging work, poor supervision being the major ones.

In the current scenario almost all the leading organizations are facing the problem of employee retention. Management somehow fails to stop the high potential employees and thus face the negative consequences. It becomes really difficult for the organization to retain the employees who decide to quit for a better opportunity.

## **8.2.4 Definitions and Objectives of Human Resource Accounting**

Financial accounting has developed various tools that largely measure activities and their results in such areas as profit, costs, production, etc. These tools also measure the value of various physical assets (land, building, machinery, etc.) as well as of various intangible assets (goodwill, patent, brand, etc.).

However, financial accounting does not measure the value of human resources which can be 4 to 20 times of value of physical and financial assets of an organization. In order to bridge this gap, behavioral scientists have made attempts to measure the value of human assets. An early attempt was made by Likert and Bowers. This attempt was further extended by others to give some concrete shape which has generated human resource/asset accounting.





In the decade of 1960, many researchers developed procedures of accounting for organizational human resource asset. It is based on the established notion that all expenditure of human capital formation is regarded as a charge against the revenue of the period as it does not create any physical asset. But this concept has changed and the cost incurred on any asset (as human resources) should be capitalized as it yields benefits quantifiable in financial terms. Human Resource Accounting indicates accounting for people as the organizational resources. It is the measurement of the cost and value of people to organization. It involves measuring costs incurred by private firms and public sectors to recruit, select, employ, train and develop employees and judge their economic value to the organization. Human resource accounting is a complicated way to determine in financial terms the effectiveness of the personal manager activities and the use of people in an organization. It is process of accounting people as an organization resource. It attempts to place a value on the organizational human resources as assets and not as expenses. This method demonstrates the investment made by organization in the people and how the value of these people changes over a time. The possession of employee is compared with the substitute cost from time to time.

Human resources are considered as important assets and are different from the physical assets. Physical assets do not have feelings and emotions, whereas human assets are subjected to various types of feelings and emotions. In the same way, unlike physical assets human assets never get depreciated.

Therefore, the valuations of human resources along with other assets are also required in order to find out the total cost of an organization. In 1960s, Rensis Likert along with other social researchers made an attempt to define the concept of human resource accounting (HRA).

### **Definitions of HR Accounting**

Human Resources Accounting involved in identifying, measuring, capturing, tracking and analyzing the potential of the human resources of a company and communicating the resultant information to the stakeholders of the company. It was a method by which a cost was assigned to every employee when recruited and the value that the employee would generate in the future. Human Resource accounting reflected the potential of the human resources of an organization in monetary terms, in its financial statements.



Mr. Woodruff Jr., Vice President of R. G. Batty Corporation defines it as “Human Resource Accounting is an attempt to identify and report investments made in human resources of an organization that are presently not accounted for in conventional accounting practice. Basically it is an information system that tells the management what changes over time are occurring to the human resources of the business.”

M.N. Baker defines Human Resource Accounting as “Human resource accounting is the term applied by the accountancy profession to quantify the cost and value of employees to their employing organization”

“Human Resource Accounting refers to the measurement and quantification of human organizational inputs such as recruiting, training, experience, and commitment”. As stated by Stephen Knauf

“Human Resource Accounting is accounting for people as organizational resources. It is the measurement of the cost and value of people for the organization” according to Eric Flamholtz

According to Davidson and Roman L Weel “A term used to describe a variety of proposals that seek to report and emphasize the importance of human resources – knowledgeable, trained and loyal employees in a company earning process and total assets.”

As per American Accounting Association “Human resource accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties”.

Palanivelu, R.P stated “Human Resource Accounting involves measuring the costs incurred by business firms and other organizations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organization”.

It is clearly evident from the above definitions that human resource accounting is the process of identifying and reporting the investment made in the Human Resources of an organization that is presently not accounted for in the conventional accounting practices.

Human Resource Accounting is the art of valuing, recording and presenting the work of all human resources in the accounts of an organization. It can help management in taking vital decisions relating to selection, layoff, transfer, training, and promotion.



The modern view is that cost incurred on any asset as human resources need to be capitalized as it provides benefits measurable in monetary terms. The measurement of cost and value of the people in organizations is highly important, costs incurred in recruitment, selection; hiring, training and development of employees, along with their economic values are very much relevant for Human Resource Accounting.

Therefore, Human Resource Accounting can be defined as the process of identifying, recording, measuring human resources and communicated related financial information associated with the human resource for interested users.

Human resource accounting is in intangible form and is within the inside of human resources. Therefore, there may be different ways in which this can be classified. There are four types of human capital- intellectual capital, social capital, emotional capital, and spiritual capital. Let us briefly discuss these to identify how these contribute to individual effectiveness.

- **Intellectual Capital**

The first element of the human capital is intellectual capital which can be defined at individual level as well as at organizational level. At the level of individual, it refers to his knowledge, skills, and expertise. It may be in the form of specialized knowledge, tacit knowledge and skills, cognitive complexity, and learning capacity.

At the organizational level, intellectual capital consists of both the stock of knowledge, skills, and expertise that members of the organization collectively possess, and the knowledge and expertise that may be embedded in or owned by the organization including patents, information technology based knowledge systems, or specialized processes of work.

Ghoshal observes that “in the recent past, much management attention has been paid to this issue of intellectual capital, and rightly so. Knowledge rather than money is increasingly becoming the key competitive differentiator — certainly in service industries like consulting, investment banking, IT services, and so on, but also in manufacturing-based businesses like pharmaceuticals, consumer electronics, and electrical machinery.”

- **Social Capital**



Social capital is the second element of human capital. It is derived from the network of relationships, both internally and externally. From organization's point of view, social capital relates to the structure, quality, and flexibility of the human networks which can be created through cohorts, joint training in which people get to know each other, job rotation through different departments and functions, long-term employment, and internal culture.

The other aspect of social capital is external — built on the relationships with external forces like customers, suppliers, government agencies, etc. However, building external relationships and working on these does not involve taking undue advantages for furthering the interest of the organization. It is used in the context of trustworthiness.

- **Emotional Capital**

Emotionality is one of the five big personality dimensions that affect job performance. In order to develop high level of emotional maturity in people for better performance, psychologists started work on it.

Daniel Goleman, coined and popularized the term emotional intelligence which refers to “emotional awareness and emotional management skills which provide the ability to balance emotion and reason so as to maximize long-term happiness.”

Emotional capital constitutes this emotional intelligence. Thus, emotional capital is the value of emotional awareness and emotional management skills of employees of an organization. Like intelligence quotient (IQ), emotional intelligence is also expressed in terms of emotional quotient (EQ). EQ emerges from mind's status of a person and not from his brain. Thus, it is a psychological phenomenon.

- **Spiritual Capital**

Spiritual capital has been recognized as the latest ingredient of human capital. It has emerged out of workplace spirituality. Therefore, first, let us discuss this concept. Spirituality, in general, is defined in religious term and is related to submission to God. However, workplace spirituality cannot be defined in such an abstract form but is defined in terms of recognition that people have inner life that nourishes and is nourished by meaningful work that leads to realize ultimate goal of life.



Organizations that practice spirituality are concerned with helping people to develop and reach their full potential. Many scholars have derived the meaning of spiritual capital from this theme and have defined it 'what makes life meaningful'.

Operationally, spiritual capital is defined as individual dispositions that manifest as belief in something larger than self, a sense of interconnectedness, ethical and moral conscience, a drive to serve, and the capability to transfer these conceptualizations into behaviors and, ultimately, added value.

All these forms of human capital are not isolated rather these are interrelated. Therefore, while measuring human capital, all these must be taken together. Human resource accounting makes attempt to measure this capital.

### **Objectives of HRA:**

The following are the objectives of Human Resource Accounting:

- Providing cost value information about acquiring, developing, allocating and maintaining human resources.
- Enabling management to monitor the use of human resources.
- Finding depreciation or appreciation among human resources.
- Assisting in developing effective management practices.
- Increasing managerial awareness of the value of human resources.
- For better human resource planning.
- For better decisions about people, based on improved information system.
- Assisting in effective utilization of manpower.

### **8.2.5 Benefits of Human Resource Accounting**

The main purpose of the Human Resource Accounting is to help human resource professionals and senior managers to use human resources of an organization efficiently and effectively. Human Resource Accounting is intended to provide the users with information to acquire, develop, allocate, conserve,



reward and utilize human resources. Human Resource Accounting measures the cost and the value of people in an organization for use in a variety of management decisions.

Human Resource Accounting provides information about the total cost of human assets which can use for calculating their benefits for business by comparing it with the benefits provided by employees. Human capital becomes the most important asset in the corporation to extract value. The present accounting system ignores the importance of human resource value. Managers lack information about the effectiveness and efficiency of human resource investment. Experts identified that Human Resource Accounting produces a variety of benefits for management, employees, and stockholders, which are listed below:

- Provides useful information about the cost and the value of human resources. It shows the strengths and weakness of human resources.
- Investors would like to know the value of a firm's human asset. Moreover, they want to know about an organization's investment in human resources. This information would assist them in making decisions to acquire, retain and dispose of the stock.
- Provides useful information for making suitable personnel policies about promotion, favorable working environment, and job satisfaction of employees, etc.
- Allows management personnel to monitor effectively the use of human resources.
- Provides a sound and effective basis of human asset control, that is, whether the asset is appreciated, depleted or conserved.
- Only reputed organizations conduct Human Resource Accounting. So, competent and capable people want to join these organizations. Therefore, it attracts the best employees and managers to the organization.
- Provides cost/value information for making management decision about acquiring, allocating, developing, and maintaining human resource in order to attain cost-effectiveness.
- Offsets uncertainty and change, as it enables the organization to have the right person for the right job at the right time and place.



- Provides scope for advancement and development of employees by effective training and development.
- Helps the individual employee to aspire for promotion and better benefits.
- Aims to see that human involvement in the organization is not wasted and brings high returns to the organization.
- Foresee the change in value, aptitude, and attitude of human resources and accordingly change the techniques of interpersonal management.

## 8.2.6 Methods/Techniques of Human Resource Accounting

### Historical Cost Method

This approach was developed by William C. Pyle and assisted by R. Lee Brummet & Eric G. Flamholtz and R.G. Barry Corporation, a leisure footwear manufacturer based on Columbus, Ohio (USA) in 1967. In this approach, actual cost incurred on recruiting, hiring, training and development the human resources of the organization are capitalized and amortized over the expected useful life of the human resources. Thus a proper recording of the expenditure made on hiring, selecting, training and developing the employees is maintained and a proportion of it is written off to the income of the next few years during which human resources will provide service. If the human assets are liquidated prematurely the whole of the amount not written off is charged to the income of the year in which such liquidation takes place. If the useful life is recognized to be longer than originally expected, revisions are effected in the amortization schedule. The historical cost of human resources is very similar to the book value of the other physical assets. When an employee is recruited by a firm, he is employed with the obvious expectation that the returns from him will far exceed the cost involved in selecting, developing and training in the same manner as the value of fixed assets is increased by making additions to them. Such additional costs incurred in training and developing is also capitalized and is amortized over the remaining life. The unexpired value is investment in human assets. It is simple to understand and easy to work out. It meets the traditional accounting concept of matching cost with revenue. It can provide a basis of evaluating a company's return on its investment in human resources. But it suffers from the following limitations:



- Based on false assumptions.
- Takes into account a part of the employees' acquisition costs and thus ignores the aggregate value of their potential services.
- Difficult to estimate the number of years over which the capitalized expenditure is to be amortized.
- Difficult to determine the rate of amortization. Whether it is increasing, constant or decreasing?
- Economic value of human resources increases over time as people gain experience. But in this approach, the capital cost decreases through amortization.
- Assets cannot be sold.
- Measures only the cost of the organization but ignores completely any measure of the value of the employee to the organization.

### **Replacement Cost Approach**

This approach was first suggested by Rensis Likert, and later on developed by Eric G. Flamholtz on the basis of concept of replacement cost. Human resources of an organization are to be valued on the assumption that a new similar organization has to be created from scratch and what would be the cost to the firm if the existing resources were required to be replaced with other persons of equivalent talents and experience. Moreover, it takes into consideration all cost involved in recruiting, hiring, training and developing the replacement to the present level of proficiency and familiarity with the organization. But it suffers from the following limitations:-

- Variance with the conventional accounting practice of valuing assets.
- Difficult to find an identical replacement of the existing human resource in actual practice.
- Determination of replacement value is affected by the subjective considerations to a marked extent and therefore, the value is likely to differ from man to man.
- Consider more subjectivity into the measure.





- Lead to an upwardly biased estimate because an inefficient firm may incur a greater cost to replace an employee.

### **Opportunity Cost Method**

It is known as Competitive Bidding Method. This method was first advocated by HcKiman and Jones for a company with several divisional heads bidding for the services of various people they need among themselves and then include the bid price in the investment cost. Opportunity cost is the value of an asset when there is an alternative use of it. There is no opportunity cost for those employees that are not scarce and also those at the top will not be available for auction. This method can work for some of the people at shop floor and middle order management. Moreover, the authors of this approach believe that a bidding process such as this is a promising approach towards more optional allocation or personnel and a quantitative base for planning, evaluating and developing human assets of the firm. But this approach suffers from the following limitations:

- It has specifically excluded from its preview the employees scarce or not being 'bid' by-the other departments. This is likely to result in lowering the morale and productivity of the employees who are not covered by the competitive process.
- Total valuation of human resources for the competitive bid price may be misleading or inaccurate. It may be due to the reason that a person may be an expert for one department and not so for the other department. He may be a valuable person for the department in which he is working and thus commands a high value but may have a lower price in the bid by the other department.
- Valuation on the basis of opportunity cost is restricted to alternative use within the organization. In real life, such alternative use may not be identifiable on account of the constraints in an organizational environment.

### **Standard Cost**

Instead of using historical or replacement cost, many companies use standard cost for the valuation of human assets just as used for physical and financial assets. For using standard cost, employees of an organization are categorized into different groups based on their hierarchical positions. Standard cost is



fixed for each category of employees and their value is calculated. This method is simple but does not take into account differences in employees put in the same group. In many cases, these differences may be quite vital.

### **Acquisition Cost Method**

Under this method the costs of acquisition, namely, the costs incurred in recruitment. Hiring and induction of employees are taken into account. The process involves capitalization of historic costs. The cost so capitalized has to be written off over a period of time for which the employee remains with the firm.

If for some reason the employee leaves the organization prematurely, the unamortized cost remaining in the books has to be written off against the profit and loss account of the particular year.

### **Present Value of Future Earnings Method**

This model is developed by Lev and Schwartz and is popular in India. This is also known as capitalization of salary method. Under this method the future earnings of an employee or grades of employees are estimated up to the age of retirement and are discounted at a rate appropriate to the person or the group in order to obtain the present value.

**The model may be expressed as follows:**

$V$  = the human capital value of a person  $y$  years old

$I(t)$  = the person's annual earnings up to retirement

$R$  = discount rate specific to the person

$T$  = retirement age.

The above formula does not take into account the probability of a person dying before retirement or leaving the organization.

### **Expected realizable value**

The above methods discussed so far are based on cost consideration. Therefore these methods may provide information for record purpose but do not reflect the true value of human assets.



Expected realizable value is based on the assumption and this is true also. That there is no direct relationship between cost incurred on an individual and his value to organization can be defined as the present worth of the set of future services that he is expected to provide during the period he remains in the organization.

Flamholtz has given the variables affecting an individual's expected realizable value (IERV). Individual conditional values and his like hood of remaining in the organization. The former is a function of the individual's abilities and activation level. While the later is a function of such variables as job satisfaction, commitment, motivation, and other factors. However, the model suffers from the following deficiencies:

- A person's value to an organization is not determined entirely by the person's inherent qualities, traits and skills but also by the organizational role in which the individual is placed. Moreover, the individual's skill and knowledge are not valuable to an organization in the abstract form. They are valuable only when such qualities serve as a means to achieve the organizational goals.
- It also does not take into account the possibility of an individual leaving the organization for reasons other than death or retirement. It may be stated that people quit organizations for a variety of reasons.
- The assumptions of the model that people will not make role changes during their career with the organization also seems to be unrealistic. In the organizations, employees are quite often transferred to other departments and their role also changes when they are transferred.

### **Economic Value Method**

The economist's concept of the value of an asset is equal to the present worth of its estimated future economic benefits. This approach has a strong theoretical appeal. But this method involves the following steps:

- Estimation of the future benefits.
- Ascertaining the present value of such benefits by using an appropriate interest (discount) rate.



### 8.2.7 Limitations of Human Resource Accounting

The limitations or demerits of human resource accounting are as follows:-

- Many difficulties are involved in the implementation of human resource accounting. Some of these limitations or demerits are mentioned below:
- No specific guideline for measuring the cost and value of human resources.
- While valuing the human assets, demand for rewards and compensation might be higher.
- Nature of amortization to be followed is yet to be fixed up.
- Tax laws do not recognize human assets and in that sense, it might be theoretically only.
- Difficult task to value human asset.
- Full of measurement problems.
- Employees and unions may not like the ideas.
- The life of a human being is uncertain. So its value is also uncertain.
- All the methods of accounting for human assets are based on certain assumptions, which can go wrong at any time.
- Lead to jealousy among the employees when they find differences in their relative value. One can think that its price is very high and the other's price is very low and this may destroy team solidarity.
- Lacks empirical evidence.
- No universally accepted method of the valuation of human resources.

### 8.2.8 HR Accounting Practices in India

Human Resource Accounting (HRA) involves accounting for expenditures related to human resources as assets as opposed to traditional accounting which treats these costs as expenses that reduce profit. Human Resources are important assets of an organization. Even though, many benefits have contributed by HRA, yet its development and application in different industries has not been encouraging. Because Indian companies act 1956, does not provide any scope for showing any information about human resources in financial statement. Due to development of business and



industries, some of the Indian companies, both public and private, value their human resources and report this information in their annual report.

In India, companies do not give much consideration to issues related to human resource accounting. In India this concept is struggling for recognition and has not been initiated as a system. Indian companies act does not necessitate company to provide information related to workers cost in their annual report. Though, since last decade, there is awareness toward measurement and reporting of human asset. In India, Human resource accounting was first utilized in public sector by Bharat Heavy Electrical Ltd (BHEL) in financial year 1972-73. Afterward, other organization both in public and private organization started to provide information related to human resource in the annual report. Organizations that are using human resource accounting process are Infosys, Steel authority of India, Southern Petrochemicals, Industries Corporation of India Ltd, Mineral and Metals Trading Corporation of India Hindustan Zinc Ltd, Associated cement Companies Ltd, Madras Refineries Ltd, Oil India ltd Oil and Natural Gas Commission and Cement Corporation of India.

### 8.3 Check your Progress

1. ....is based on the assumption and this is true also. That there is no direct relationship between cost incurred on an individual and his value to organization can be defined as the present worth of the set of future services that he is expected to provide during the period he remains in the organization.
2. Instead of using historical or replacement cost, many companies use ..... for the valuation of human assets just as used for physical and financial assets.
3. .... was developed by William C. Pyle and assisted by R. Lee Brummet & Eric G. Flamholtz and R.G. Barry Corporation, a leisure footwear manufacturer based on Columbus, Ohio (USA) in 1967. In this approach, actual cost incurred on recruiting, hiring, training and development the human resources of the organization are capitalized and amortized over the expected useful life of the human resources.
4. .... is known as Competitive Bidding Method. This method was first advocated by HcKiman and Jones for a company with several divisional heads bidding for the



services of various people they need among themselves and then include the bid price in the investment cost.

5. .... refers to the various policies and practices which let the employees stick to an organization for a longer period of time. Every organization invests time and money to groom a new joined and make him corporate ready material and bring him at par with the existing employees.

6. Human resources of an organization are to be valued on the assumption that a new similar organization has to be created from scratch and what would be the cost to the firm if the existing resources were required to be replaced with other persons of equivalent talents and experience. It is known as.....

7. .... provides information about the total cost of human assets which can use for calculating their benefits for business by comparing it with the benefits provided by employees. Human capital becomes the most important asset in the corporation to extract value.

8..... refer to policies companies follow in order to retain employees and reduce turnover and attrition and ensure employee engagement. The main goal is to meet the expectations of employees without losing sight of the company's goals to ensure maximum return on investment.

9. Human Resource Accounting is intended to provide the users with information to acquire, develop, allocate, conserve, reward and utilize human resources. Human Resource Accounting measures the cost and the value of people in an organization for use in a variety of .....

10. Human Resource Accounting is an attempt to identify and report investments made in ..... of an organization that are presently not accounted for in conventional accounting practice.

## 8.4 Summary

Employee Retention refers to the techniques employed by the management to help the employees stay with the organization for a longer period of time. Employee retention strategies go a long way in



motivating the employees so that they stick to the organization for the maximum time and contribute effectively. Retention strategies refer to policies companies follow in order to retain employees and reduce turnover and attrition and ensure employee engagement. The main goal is to meet the expectations of employees without losing sight of the company's goals to ensure maximum return on investment. There is a huge competition in the market for labor/employees. Businesses everywhere are looking to expand and are open for new positions. This means that, from an HR perspective, there's a great deal of pressure for the organization to keep their most talented resources and provide them the best benefits to them for the benefit of the organization in a long run.

The traditional accounting practices simply ignored the value of human factors in the organization and preferred to treat it as an expense and expendable factors. This fundamentally lopsided attitude towards human resources goes against the interest of the employees decisively. For instance, the cost of training incurred to update the skills and knowledge of the employees were treated only as expenses and not as an investment. Although human resource accounting is still in its infancy as far as its development is concerned, there are a few approaches available to the study of human resource accounting.

However, none of these approaches has so far found universal acceptance, because they have inbuilt contradictions, incompleteness or inability. These approaches have thus far failed to fulfill the basic requirements of traditional accounting concepts and practices like the double-entry concept. It is still extremely difficult to determine the actual value of the human resource of the organization through the different methods and accounting techniques have already proposed for human resource accounting.

## 8.5 Keywords

- **Attrition:** Rate of employees leaving the organization.
- **Standard Cost:** Cost for the valuation of human assets just as used for physical and financial assets.
- **Human Resources Accounting:** Identifying, measuring, capturing, tracking and analyzing the potential of the human resources of a company
- **Retention strategies:** Refer to policies companies follow in order to retain employees and reduce turnover and attrition and ensure employee engagement



- **Employee retention:** A phenomenon where employees choose to stay on with their current company

## 8.6 Self-Assessment Test

1. Discuss the objectives and importance of Retention.
2. Evaluate the different Retention Strategies. How you can improve retention in your organization?
3. What are the various Challenges of Employees Retention?
4. Define HRA. Explain the objectives of Human Resource Accounting
5. Discuss the main benefits of Human Resource Accounting
6. What are the Methods/Techniques of Human Resource Accounting.
7. Discuss the limitations of Human Resource Accounting.
8. Evaluate the HR Accounting Practices in India.
9. What is replacement cost method? Explain limitations of this method.
10. What is Opportunity Cost Method? Explain significance of this method.
11. What are the four human capitals? What are the importance of these?

## 8.7 Answers to check your Progress

1. Expected realizable value
2. Standard cost
3. Historical Cost Method
4. Opportunity Cost Method
5. Employee retention
6. Replacement Cost Method
7. Human Resource Accounting
8. Retention strategies
9. Management decisions





## 10. Human resources

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<b>PERFORMANCE APPRAISAL AND POTENTIAL EVALUATION</b>	

## STRUCTURE

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## 9.1 Learning Objectives

This lesson highlights Features and Objectives of Performance Appraisal. It explains Performance Appraisal Process. It examines the Methods of Performance Appraisal and Problems of Performance Appraisal. Further it explains the Essential Characteristics of an Effective Performance System and Potential Evaluation.

After reading this lesson, students will be able to:

- Describe Features and Objectives of Performance Appraisal
- Explain the Performance Appraisal Process
- Identify the Methods of Performance Appraisal
- Examine Problems of Performance Appraisal
- Explain the Essential Characteristics of an Effective Performance System and Potential Evaluation

## 9.2 Introduction

After an employee has been selected for a job, has been trained to do it and has worked on it for a period of time, his performance should be evaluated. Performance Evaluation or Appraisal is the process of deciding how employees do their jobs. Performance here refers to the degree of accomplishment of the tasks that make up an individual's job. It indicates how well an individual is fulfilling the job requirements. Often the term is confused with efforts, which means energy expended and used in a wrong sense. Performance is always measured in terms of results.

### Definition

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

Performance appraisal is broader term than Merit Rating. In the past managers used to focus on the traits of an employee while ranking people for promotions and salary increases. Employee's traits such



as honesty, dependability, drive, personality, etc., were compared with others and ranked or rated. The attempt was to find what the person has (traits) rather than what he does (performance); the focus was on the input and not on the output. This kind of evaluation was open to criticism because of the doubtful relationship between performance and mere possession of certain traits.

### 9.2.1 Features and Objectives of Performance Appraisal

**Features:** The main characteristics of performance appraisal may be listed thus:

- ☐ The appraisal is a systematic process. It tries to evaluate performance in the same manner using the same approach. A number of steps are followed to evaluate an employee's strength and weaknesses.
- ☐ It provides an objective description of an employee's job's relevant strengths and weaknesses.
- ☐ It tries to find out how well the employee is performing the job and tries to establish a plan for further improvement.
- ☐ The appraisal is carried out periodically, according to a definite plan. It is certainly not a one-shot deal.
- ☐ Performance evaluation is not job evaluation. Performance appraisal refers to how well someone is doing an assigned job. Job evaluation, on the other hand, determines how much a job is worth to the organization, and therefore, what range of pay should be assigned to the job.
- ☐ Performance appraisal may be formal or informal. The informal evaluation is more likely to be subjective and influenced by personal factors. Some employees are liked better than others and have, for that reason only, better chances of receiving various kinds of rewards than others. The formal system is likely to be more fair and objective, since it is carried out in a systematic manner, using printed appraisal forms.

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



Appraisal of employees serves several useful purposes:

- **Compensation decisions:** It can serve as a basis for pay raises. Managers need performance appraisal to identify employees who are performing at or above expected levels. This approach to compensation is at the heart of the idea that raises should be given for merit rather than for seniority. Under merit systems, employee receives raises based on performance.
- **Promotion decisions:** It can serve as a useful basis for job change or promotion. When merit is the basis for reward, the person doing the best job receives the promotion. If relevant work aspects are measured properly, it helps in minimizing feelings of frustration of those who are not promoted.
- **Training and development programmes:** It can serve as a guide for formulating a suitable training and development programme. Performance appraisal can inform employees about their progress and tell them what skills they need to develop to become eligible for pay raises or promotions or both.
- **Feedback:** Performance appraisal enables the employee to know how well he is doing on the job. It tells him what he can do to improve his present performance and go up the 'organizational ladder'.
- **Personal development:** Performance appraisal can help reveal the causes of good and poor employee performance. Through discussions with individual employees, a line manager can find out why they perform as they do and what steps can be initiated to improve their performance.

### What is to be Appraised?

Every organization has to decide upon the content to be appraised before the programme is approved. Generally, the content to be appraised is determined on the basis of job analysis. The content to be appraised may be in the form of contribution to organizational objectives (measures) like production, savings in terms of cost, return on capital, etc. Other measures are based on: (1) behaviors which measure observable physical actions, movements, (2) objectives which measure job related results like amount of deposits mobilized, and (3) traits which are measured in terms of personal characteristics observable in employee's job activities. The content to be appraised may vary with the purpose of appraisal and type and level of employees.



### Who will Appraise?

The appraiser may be any person who has thorough knowledge about the job content, contents to be appraised, standards of contents and who observes the employee while performing a job. The appraiser should be capable of determining what is more important and what is relatively less important. He should prepare reports and make judgments without bias. Typical appraisers are: supervisors, peers, subordinates, employees themselves and users of services and consultants.

**Supervisors:** Supervisors include superiors of the employee, other superiors having knowledge about the work of the employee and departmental head or manager. The general practice is that immediate superiors appraise the performance, which in turn, is reviewed by the departmental head/manager. This is because supervisors are responsible for managing their subordinates and they have the opportunity to observe, direct and control the subordinates continuously. Moreover, they are accountable for the successful performance of their subordinates. Sometimes other supervisors, who have close contact with employee work also appraise with a view to provide additional information.

On the negative side, immediate supervisors may emphasize certain aspects of employee performance to the neglect of others. Also, managers have been known to manipulate evaluations to justify their decisions on pay increases and promotions. However, the immediate supervisor will continue to evaluate employee performance till a better alternative is available. Organizations, no doubt, will seek alternatives because of the weaknesses mentioned above and a desire to broaden the perspective of the appraisal.

**Peers:** Peer appraisal may be reliable if the work group is stable over a reasonably long period of time and performs tasks that require interaction. However, little research has been conducted to determine how peers establish standards for evaluating others or the overall effect of peer appraisal on the group's attitude. Whatever research was done on this topic was mostly done on military personnel at the management or pre-management level (officers or officer candidates) rather than on employees in business organizations. More often than not in business organizations if employees were to be evaluated by their peers, the whole exercise may degenerate into a popularity contest, paving the way for the impairment of work relationships.



**Subordinates:** The concept of having superiors rated by subordinates is being used in most organizations today, especially in developed countries. For instance in most US universities students evaluate a professor's performance in the classroom. Such a novel method can be useful in other organizational settings too provided the relationships between superiors and subordinates are cordial. Subordinates' ratings in such cases can be quite useful in identifying competent superiors. The rating of leaders by combat soldiers is an example. However, the fear of reprisal often compels a subordinate to be dishonest in his ratings. Though useful in universities and research institutions, this approach may not gain acceptance in traditional organizations where subordinates practically do not enjoy much discretion.

**Self-appraisal:** If individuals understand the objectives they are expected to achieve and the standards by which they are to be evaluated, they are to a great extent, in the best position to appraise their own performance. Also, since employee development means self-development, employees who appraise their own performance may become highly motivated.

**Users of services:** Employees' performance in service organizations relating to behaviors, promptness, speed in doing the job and accuracy can be better judged by the customers or users of services. For example, a teacher's performance is better judged by students and the performance of a conductor a bus is better judged by passengers.

**Consultants:** Sometimes consultants may be engaged for appraisal when employees or employers do not trust the supervisory appraisal and management does not trust the self-appraisal or peer appraisal or subordinate appraisal. In this situation, consultants are trained and they observe the employee at work for sufficiently long periods for the purpose of appraisal.

In view of the limitations associated with each and every method discussed above, several organizations follow a multiple rating system wherein several superiors separately fill out rating forms on the same subordinate. The results are then tabulated.

### **When to Appraise?**

Informal appraisals are conducted whenever the supervisor or personnel managers feel it is necessary. However, systematic appraisals are conducted on a regular basis, say, for example, every six months or annually. One study of 244 firms found that appraisals were most often conducted once a year. Recent



research suggests, however, that more frequent feedback correlates positively with improved performance. Research has also indicated that appraisals for development purpose should be separated from those for salary administration.

### 9.2.2 Performance Appraisal Process

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

***Establish performance standards:*** Appraisal systems require performance standards, which serve as benchmarks against which performance is measured. To be useful, standards should relate to the desired results of each job. What about those appraisals which are carried out without any clear-cut criteria. To avoid embarrassments, performance standards must be clear to both the appraiser and the appraisee. The performance standards or goals must be developed after a thorough analysis of the job. Goals must be written down. Just talking about them is not enough.

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

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

Performance measures may be objective or subjective. Objective performance measures are indications of job performance that can be verified by others and are usually quantitative. Objective criteria include





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

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

***Compare actual performance with standards and discuss the appraisal:*** Actual performance may be better than expected and sometimes it may go off the track. Whatever be the consequences, there is a way to communicate and discuss the final outcome. The assessment of another person's contribution and ability is not an easy task. It has serious emotional overtones as it affects the self-esteem of the appraisee. Any appraisal based on subjective criteria is likely to be questioned by the appraisee and leave him quite dejected and unhappy when the appraisal turns out to be negative.

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

### 9.2.3 Methods of Performance Appraisal

#### Methods of Performance Appraisal

The performance appraisal methods may be classified into three categories.

##### ➤ Individual Evaluation Methods:



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

***Confidential report:***

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

***Essay evaluation:***

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

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

- It is highly subjective; the supervisor may write a biased essay. The employees who are sycophants will be evaluated more favorably than other employees.
- Some evaluators may be poor in writing essays on employee performance. Others may be superficial in explanation and use flowery language which may not reflect the actual performance of the employee. It is very difficult to find effective writers nowadays.



- The appraiser is required to find time to prepare the essay. A busy appraiser may write the essay hurriedly without properly assessing the actual performance of the worker. On the other hand, appraiser takes a long time; this becomes uneconomical from the view point of the firm, because the time of the evaluator (supervisor) is costly.

### ***Critical incident technique:***

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

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

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

July 20 – The sales assistant stayed 45 minutes over on his break during the busiest part of the day. He failed to answer the store manager's call thrice. He is lazy, negligent, stubborn and uninterested in work.

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

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



- Most frequently, the critical incidents technique of evaluation is applied to evaluate the performance of superiors rather than of peers of subordinates.

### ***Checklists and weighted checklists:***

Another simple type of individual evaluation method is the checklist. A checklist represents, in its simplest form, a set of objectives or descriptive statements about the employee and his behavior. If the rater believes strongly that the employee possesses a particular listed trait, he checks the item; otherwise, he leaves the item blank. A more recent variation of the checklist method is the weighted list. Under this, the value of each question may be weighted equally or certain questions may be weighted more heavily than others. A rating score from the checklist helps the manager in evaluation of the performance of the employee. The checklist method has a serious limitation. The rater may be biased in distinguishing the positive and negative questions. He may assign biased weights to the questions. Another limitation could be that this method is expensive and time consuming. Finally, it becomes difficult for the manager to assemble, analyze and weigh a number of statements about the employee's characteristics, contributions and behaviors. In spite of these limitations, the checklist method is most frequently used in the employee's performance evaluation.

### ***Graphic rating scale:***

Perhaps the most commonly used method of performance evaluation is the graphic rating scale. Of course, it is also one of the oldest methods of evaluation in use. Under this method, a printed form, as shown below, is used to evaluate the performance of an employee. A variety of traits may be used in these types of rating devices, the most common being the quantity and quality of work. The rating scales can also be adapted by including traits that the company considers important for effectiveness on the job. From the graphic rating scales, excerpts can be obtained about the performance standards of employees. For instance, if the employee has serious gaps in technical-professional knowledge (knows only rudimentary phases of job); lacks the knowledge to bring about an increase in productivity; is reluctant to make decisions on his own (on even when he makes decisions they are unreliable and substandard); declines to accept responsibility; fails to plan ahead effectively; wastes and misuses resources; etc., then it can safely be inferred that the standards of the performance of the employee are dismal and disappointing.



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

### ***Behaviorally anchored rating scales:***

Also known as the behavioral expectations scale, this method represents the latest innovation in performance appraisal. It is a combination of the rating scale and critical incident techniques of employee performance evaluation. The critical incidents serve as anchor statements on a scale and the rating form usually contains six to eight specifically defined performance dimensions. The following chart represents an example of a sales trainee's competence and a behaviourally anchored rating scale.

### ***How to construct BARS?***

Developing BARS follows a general format which combines techniques employed in the critical incident method and weighted checklist ratings scales. Emphasis is pinpointed on pooling the thinking of people who will use the scales as both evaluators and evaluatees. Researchers, after surveying several studies on BARS, concluded that "despite the intuitive appeal of BARS, findings from research have not been encouraging". It has not proved to be superior to other methods in overcoming rater errors or in achieving psychometric soundness. A specific deficiency is that the behaviors used are activity oriented rather than results oriented. This creates a potential problem for supervisors doing the evaluation, who may be forced to deal with employees who are performing the activity but not accomplishing the desired goals. Further, it is time consuming and expensive to create BARS. They also demand several appraisal forms to accommodate different types of jobs in an organization. In a college, lecturers, office clerks, library staff, technical staff and gardening staff all have different jobs; separate BARS forms would need to be developed for each. In view of the lack of compelling evidence demonstrating the superiority of BARS over traditional techniques such as graphic rating scales. Decotis concluded that: "It may be time to quit hedging about the efficacy of behavioral scaling



strategies and conclude that this method has no clear-cut advantages over more traditional and easier methods of performance evaluation”.

***Forced choice method:***

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

The favorable qualities earn a plus credit and the unfavorable ones earn the reverse. The worker gets over plus when the positive factors override the negative ones or when one of the negative phrases is checked as being insignificantly rated.

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

***Management by Objectives (MBO):***

MBO represents a modern method of evaluating the performance of personnel. Thoughtful managers have become increasingly aware that the traditional performance evaluation systems are characterized by somewhat antagonistic judgments on the part of the rater. There is a growing feeling nowadays that it is better to make the superior work with subordinates in fixing goals. This would inevitably enable subordinates to exercise self-control over their performance behaviors. The concept of management by objectives is actually the outcome of the pioneering works of Drucker, McGregor and Odiorne in management science. Management by objectives can be described as “a process whereby the superior



and subordinate managers of an organization jointly identify its common goals, define each individuals' major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contributions of each of its members". MBO thus represents more than an evaluation programme and process. Practicing management scientists and pedagogues view it as a philosophy of managerial practice; it is a method by which managers and subordinates plan, organize, control, communicate and debate.

### Features

- MBO emphasizes participation set goals that are tangible, verifiable and measurable.
- MBO focuses attention on what must be accomplished (goals) rather than how it is to be accomplished (methods).
- MBO, by concentrating on key result areas translates the abstract philosophy of management into concrete phraseology. The technique can be put to general use (non-specialist technique). Further it is "a dynamic system which seeks to integrate the company's need to clarify and achieve its profit and growth targets with the manager's need to contribute and develop himself".
- MBO is a systematic and rational technique that allows management to attain maximum results from available resources by focusing on achievable goals. It allows the subordinate plenty of room to make creative decisions on his own.

An MBO system usually starts at the top of the organization. Top management formulates and communicates the firm's overall corporate goals to managers at lower levels so they can formulate their own operational goals. Although there are varying versions of MBO, most MBO programmes contain the following elements:

- v. ***Arranging organizational goals in a means-ends chain:*** In an MBO system a firm's corporate goals are structured in a means-ends chain. Top management formulates a set of long-range and short-term corporate objectives for the company as a whole. Divisional or functional managers participate in the goal-setting process to reflect their own desires and indicate the constraints that must be considered as well. These managers then work with their subordinates to formulate divisional or functional goals, which in turn are translated into group or individual goals. The



managers serve as linking pins that tie organizational units together at different levels. Through this organizational process, corporate objectives set at higher levels are communicated downward to lower levels to be used as a guide for formulating task goals.

- vi. ***Engaging in joint goal setting:*** The most unique feature of MBO is joint goal setting. Supervisors meet with their subordinates individually or in groups to formulate a set of objectives for the group or individual. The goal-setting process has the following steps:

Identify key performance or result areas (KRAs), such as increasing loans, reducing loan risk or employee training.

Define the expected results, such as increasing loans by 5 per cent, reducing bad loans by 10 per cent or training 100 employees.

Assign specific responsibilities to employees. This step is needed to make employees accountable for accomplishing their tasks.

Define authority and responsibility relationships. This step clarifies who has what authority and responsibility and who is reporting what to whom.

- vii. ***Conducting periodic progress reviews:*** Performance can be periodically reviewed to determine progress. Supervisors and subordinates should meet regularly to review their progress toward goal attainment. The reviews should be held monthly or quarterly. These reviews serve as a built-in feedback mechanism for an MBO system. Since individual or group goals are specifically defined, usually in quantifiable terms, employees can compare their progress at review time against the specified goals. Any performance variations or changes in goals be discussed during the review sessions.
- viii. ***Conducting annual performance review:*** At the end of an MBO cycle, usually on an annual basis, the manager meets subordinate(s) to assess the employee's or the group's contribution to the organization. While periodic review is intended to identify and solve specific performance problems, the annual review is conducted to assess and reward one's overall contribution to the organization. Because employees are evaluated on their performance results, MBO is often called a result-based, performance appraisal system.





## MBO Benefits

MBO is hailed as the greatest innovation in years. Advocates argue that “it is the successor to Taylor’s ‘mental revolution’ – a new way of thinking about and engaging in, collective effort”. It is claimed that when an organization is managed by objectives, it becomes performance-oriented; it grows, develops and becomes socially useful in many ways:

- ***Clearer goals:*** MBO produces clear and measurable performance goals. Goals are set in an atmosphere of participation, mutual trust and confidence. There is a meeting of minds between the superior and the subordinates where the latter will be shooting for right goals. Participation increases commitment, additionally, it also results in setting better goals. Research experience also indicates that individuals are more likely to be highly committed to objectives that they had a hand in setting. Joint goal-setting sessions enhance team spirit and inter-group communication.
- ***Better planning:*** MBO programmes sharpen the planning process. Specific goals are products of concrete thinking. They tend to force specific planning setting highly specific, challenging and attainable goals; developing action programmes tied to a definite schedule; providing resources for goal accomplishment; discussing and removing obstacles to performance – all these activities demand careful advance planning. Passivity gives way to activity.
- ***Facilitates control:*** MBO helps in developing effective controls. A clear set of verifiable goals provides an outstanding guarantee for exercising better control.
- ***Objective appraisal:*** MBO provides a basis for evaluating a person’s performance since goals are jointly set by superior and subordinates. By setting specific goals, MBO allows persons to better control their own performance. The individual is given the freedom to police his own activities. A pleasant and stimulating organizational climate prevails where individuals are not subjected to domination and control from ‘upstairs’. Instead, they are trained to exercise discipline and self-control. Management by self-control replaces management by domination. Appraisals would be more objective and impartial since employee performance is evaluated against preset, verifiable objectives.
- ***Motivational force:*** Both appraiser and appraisee are committed to the same objective. It forces managers to think of planning for results rather than planning for activities or work. It compels



forward planning and living life in an anticipatory mode rather than responding to events. Clarified roles reduce ambiguity and employee anxiety. It allows managers increased opportunities to provide subordinates with a better fix on the job; to clarify for subordinates the path to personal rewards. In the words of Mervin Kohn, “MBO gives an individual or groups some leeway to use imagination or creativity to accomplish the mission; fosters a feeling of independence; provides an incentive to achieve the goal and permits a feeling of true participation in the task from its inception”.

- **Better morale:** MBO encourages commitment rather than rote compliance. It is at once functional in terms of what top management demands and developmental in terms of people at work. The two techniques, participative decision-making and two-way communication, encourage the subordinate to communicate freely and honestly. It minimises the possible misunderstanding about what is expected of each individual and organizational sub-units. Participation, clarified goals, and improved communication – all will have a tonic effect on the psychology of subordinates.
- **Result-oriented philosophy:** MBO is a result-oriented, practical and rational management philosophy. Managers are forced to develop specific individual and group goals, develop appropriate action plans, marshal the resources properly and establish needed control standards. It helps manager to avoid management by crisis and ‘fire fighting’.

### MBO Limitations

MBO is not a panacea, cure-all for organizational problems. Quite often many organizations look to MBO as an instant solution to their problems. They fail to recognize that MBO demands careful planning and implementation, to be successful. Some of the problems preventing MBO from achieving its best results may be catalogued thus:

**Pressure-oriented:** MBO may prove to be self-defeating in the long-run since it is tied with a reward-punishment psychology. It is a clear violation of the integrity of subordinate’s personality. MBO programmes sometimes, discriminate against superior performers. It tries to indiscriminately force improvement on all employees and at times, may penalize the very people who are most productive in the organization.



***Time consuming:*** MBO demands a great deal of time to set objectives carefully at all levels of the organization. Initially to instill confidence in subordinates in the 'new system' superiors may have to hold many meetings. The formal, periodic progress and final review sessions also consume time.

***Increased paperwork:*** MBO programmes introduce a tidal wave of newsletters, instruction booklets, training manuals, questionnaires, performance data, and reports into the organization. To stay abreast of what is going on in the organization managers may demand regular reports and data in writing resulting in 'grueling exercise in filling out forms'. It has created one more 'paper mill'. According to Howell, MBO's effectiveness is inversely related to the number of MBO forms.

***Goal-setting problems:*** MBO works when important measurable objectives are jointly agreed upon. It works less when; (i) Verifiable goals are difficult to set. (ii) Goals tend to take precedence over the people who use it. MBO focuses on end results and it may foster an attitude that any action is acceptable as long as it helps to achieve the goals. Consequently, unwise decisions are made that would ultimately harm the organization. (iii) Goals are inflexible and rigid. (iv) There is over-emphasis on quantifiable and easily measurable results instead of important results. Many important qualitative goals like job satisfaction, employee attitudes are lost sight of (attempts to set measurable goals force managers to search for a magic figure for each area). (v) Overemphasis on short-term goals at the expenses of long-term goals. Attempts to show results force managers to curtail cost in areas where a long-term perspective would be more fruitful to the organization in the long run.

***Organizational problems:*** MBO is not a palliative for all organizational ills. It is not for everybody. MBO creates more problems than it solves when:

there is failure to teach the philosophy to all participants. Too often MBO is introduced across the organization with little explanation, training or help;

there is failure to limit objectives. Too many objectives obscure priorities and create a sense of fear and panic among subordinates;

it is inconsistent with management philosophies. Under MBO programmes managers are forced to take a 180° turn from their present ways of thinking and acting. Instead of planning



and deciding things for others, they are advised to invite subordinates and plan for work in an atmosphere of participation, much to their dislike;

the programme is used as a 'whip' to control employee performance;

it leads to a tug-of-war in which the subordinate tries to set the lowest possible targets and superior the highest;

managers turn MBO into a sham and start 'playing games'.

### Multiple Person Evaluation Process

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

#### *Ranking method:*

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

- d. The 'whole man' is compared with another 'whole man' in this method. In practice, it is very difficult to compare individuals possessing varied behavioral traits.
- e. This method speaks only of the position where an employee stands in his group. It does not tell anything about how much better or how much worse an employee is when compared to another employee.



- f. When a large number of employees are working, ranking of individuals becomes a big issue.
- g. There is no systematic procedure for ranking individuals in the organization. The ranking system does not eliminate the possibility of snap judgments.

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

***Paired comparison method:***

Ranking becomes more reliable and easier under the paired comparison method. Each worker is compared with all other employees in the group; for every trait the worker is compared with all other employees.

***Forced distribution method:***

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

Job performance as the criterion apart, another equally important factor in this method is promotability. Employees may be classified according to their promotional merits. The scale for this purpose may consist of three points – namely, quite likely promotional material, may/may not be promotional material and quite unlikely promotional material. One strong positive point in favor of the forced distribution method is that by forcing the distribution according to predetermined percentages, the problem of making use of different raters with different scales is avoided. Further, this method is appreciated on the ground that it tends to eliminate rater bias. The limitation of using this method in salary administration however is that it may result in low morale, low productivity and high



absenteeism. Employees who feel that they are productive, but find themselves placed in a lower grade (than expected) feel frustrated and exhibit, over a period of time, reluctance to work. Other methods of appraising performance include: Group Appraisal, Human Resource Accounting, Assessment Centre, Field Review, etc. These are discussed in the following sections:

### ***Group appraisal:***

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

### ***Human resource accounting:***

HRA is a sophisticated way to measure (in financial terms) the effectiveness of personnel management activities and the use of people in an organization. It is the process of accounting for people as an organizational resource. It tries to place a value on organizational human resources as assets and not as expenses. The HRA process shows the investment the organization makes in its people and how the value of these people changes over time. The acquisition cost of employees is compared to the replacement cost from time to time. The value of employees is increased by investments made by the company to improve the quality of its human resources such as training, development skills acquired by employees over a period of time through experience, etc. When qualified, competent people leave an organization, the value of human assets goes down. In this method, employee performance is evaluated in terms of costs and contributions of employees. Human resource costs include expenditure incurred by the company in hiring, training, compensating and developing people. The contributions of human



resources are the money value of labour productivity. The cost of human resources may be taken as the standard. Employee performance can be measured in terms of employee contribution to the organization. Employee performance can be taken as positive when contribution is more than the cost and performance can be viewed as negative if cost is more than contribution. Positive performance can be measured in terms of percentage of excess of employee contribution over the cost of employee. Similarly negative performance can be calculated in terms of percentage of deficit in employee contribution compared to the cost of employee.

***Assessment centre:***

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

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

***Field review method:***



Where subjective performance measures are used, there is scope for rater's biases influencing the evaluation process. To avoid this, some employees use the field review method. In this method a trained, skilled representative of the HR department goes into the 'field' and assists line supervisors with their ratings of their respective subordinates. The HR specialist requests from the immediate supervisor specific information about the employees performance. Based on this information, the expert prepares a report which is sent to the supervisor for review, changes, approval and discussion with the employee who is being rated. The ratings are done on standardized forms.

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

### 9.2.4 Problems with Performance Appraisal

The problems inherent in performance appraisal may be listed thus:

#### ***Judgmental errors:***

People commit mistakes while evaluating people and their performance. Biases and judgmental errors of various kinds may spoil the show. Bias here refers to inaccurate distortion of a measurement. These are:

***First impressions (primacy effect):*** The appraiser's first impressions of a candidate may colour his evaluation of all subsequent behavior. In the case of negative primacy effect, the employee may seem to do nothing right; in the case of a positive primacy effect, the employee can do no wrong.

***Halo:*** The Halo error occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions. If a worker has few absences, his supervisor might give the worker a high rating in all other areas of work. Similarly an employee might be rated high on performance simply because he had a good dress sense and comes to office punctually!.

***Horn effect:*** The rater's bias is in the other direction, where one negative quality of the employee is being rated harshly. For example, the ratee does not smile normally, so he cannot get along with people!

***Leniency:*** Depending on rater's own mental make-up at the time of appraisal, raters may be rated very strictly or very leniently. Appraisers generally find evaluating others difficult, especially where negative





ratings have to be given. A professor might hesitate to fail a candidate when all other students have cleared the examination. The Leniency error can render an appraisal system ineffective. If everyone is to be rated high, the system has not done anything to differentiate among employees.

**Central tendency:** An alternative to the leniency effect is the central tendency, which occurs when appraisers rate all employees as average performers. For example, a professor, with a view to play it safe, might give a class grades nearly equal to B, regardless of the differences in individual performance.

**Stereotyping:** Stereotyping is a mental picture that an individual holds about a person because of that person's sex, age, religion, caste, etc. By generalizing behavior on the basis of such blurred images, the rater grossly overestimates or underestimates a persons' performance. For example, employees from rural areas might be rated poorly by raters having a sophisticated urban background if they view rural background negatively.

**Recency effect:** In this case the rater gives greater weightage to recent occurrences than earlier performance. For example, an excellent performance that may be six or seven months old is conveniently forgotten while giving a poor rating to an employee's performance which is not so good in recent weeks. Alternatively, the appraisal process may suffer due to a 'spill over effect' which takes place when past performance influences present ratings.

**Poor appraisal forms:** The appraisal process might also be influenced by the following factors relating to the forms that are used by raters:

- ☐ The rating scale may be quite vague and unclear
- ☐ The rating form may ignore important aspects of job performance.
- ☐ The rating form may contain additional, irrelevant performance dimensions.
- ☐ The forms may be too long and complex.

**Lack of rater preparedness:** The raters may not be adequately trained to carry out performance management activities. This becomes a serious limitation when the technical competence of a ratee is going to be evaluated by a rater who has limited functional specialization in that area. The raters may not have sufficient time to carry out appraisals systematically and conduct thorough feedback sessions.



Sometimes the raters may not be competent to do the evaluations owing to a poor self-image and lack of self-confidence. They may also get confused when the objectives of appraisal are somewhat vague and unclear.

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

### 9.2.5 Essential Characteristics of an Effective Performance System

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

***Reliability and validity:*** Appraisal system should provide consistent, reliable and valid information and data, which can be used to defend the organization – even in legal challenges. If two appraisers are equally qualified and competent to appraise an employee with the help of same appraisal technique, their ratings should agree with each other. Then the technique satisfies the conditions of inter-rater reliability. Appraisals must also satisfy the condition of validity by measuring what they are supposed to measure. For example, if appraisal is made for potential of an employee for promotion, it should supply the information and data relating to potentialities of the employee to take up higher responsibilities and carry on activities at higher level.

***Job relatedness:*** The appraisal technique should measure the performance and provide information in job related activities/areas.

***Standardization:*** Appraisal forms, procedures, administration of techniques, ratings, etc., should be standardized as appraisal decisions affect all employees of the group.



**Practical viability:** The techniques should be practically viable to administer, possible to implement and economical to undertake continuously.

**Legal sanction:** Appraisals must meet the laws of the land. They must comply with provisions of various acts relating to labour.

**Training to appraisers:** Because appraisal is important and sometimes difficult, it would be useful to provide training to appraisers viz., some insights and ideas on rating, documenting appraisals and conducting appraisal interviews. Familiarity with rating errors can improve rater's performance and this may inject the needed confidence in appraisers to look into performance ratings more objectively.

**Open communication:** Most employees want to know how well they are performing the job. A good appraisal system provides the needed feedback on a continuing basis. The appraisal interviews should permit both parties to learn about the gaps and prepare themselves for future. To this end, managers should clearly explain their performance expectations to their subordinates in advance of the appraisals period. Once this is known, it becomes easy for employees to learn about the yardsticks and, if possible, try to improve their performance in future.

**Employee access to results:** Employees should know the rules of the game. They should receive adequate feedback on their performance. If performance appraisals are meant for improving employee performance, then withholding appraisal result would not serve any purpose. Employees simply cannot perform better without having access to this information. Permitting employees to review the results of their appraisal allows them to detect any errors that may have been made. If they disagree with the evaluation, they can even challenge the same through formal channels.

**Due process:** It follows then that formal procedures should be developed to enable employees who disagree with appraisal results (which are considered to be inaccurate or unfair). They must have the means for pursuing their grievances and having them addressed objectively.

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

### 9.2.6 Potential Evaluation



In most Indian organizations, people earn promotions on the basis of their past performance. The past performance is considered a good indicator of future job success. This could be true, if the job to be played by the promotee is similar. However, in actual practice, the roles that a role holder played in the past may not be the same he is expected to play if he assumes a different job after his transfer or promotion to a new position. Past performance, therefore, may not be a good indicator of the suitability of an indicator for a higher role.

To overcome this inadequacy, organizations must think of a new system called potential evaluation/appraisal. The objective of potential appraisal is to identify the potential of a given employee to occupy higher positions in the organizational hierarchy and undertake higher responsibilities

Potential appraisals are required to:

- ☐ inform employees about their future prospects;
- ☐ help the organization chalk out of a suitable succession plan;
- ☐ update training efforts from time to time;
- ☐ Advise employees about what they must do to improve their career prospects.

### Steps to be followed while Introducing a Good Potential Evaluation System

The following are some of the steps required to be followed while introducing a potential appraisal system:

- ☐ **Role descriptions:** Organizational roles and functions must be defined clearly. To this end, job descriptions must be prepared for each job.
- ☐ **Qualities needed to perform the roles:** Based on job descriptions, the roles to be played by people must be prepared (i.e., technical, managerial jobs and behavioral dimensions).
- ☐ **Rating mechanisms:** Besides listing the functions and qualities, the potential appraisal system must list mechanisms of judging the qualities of employees such as:

**Rating by others:** The potential of a candidate could be rated by the immediate supervisor who is acquainted with the candidate's work in the past, especially his technical capabilities.



**Tests:** Managerial and behavioral dimensions can be measured through a battery of psychological tests.

**Games:** Simulation games and exercises (assessment centre, business games, in-basket, role play, etc.) could be used to uncover the potential of a candidate.

**Records:** Performance records and ratings of a candidate on his previous jobs could be examined carefully on various dimensions such as initiative, creativity, risk taking ability, etc., which might play a key role in discharging his duties in a new job.

#### ☐ **Organizing the system**

After covering the above preliminaries, he must set up a system that will allow the introduction of the scheme smoothly giving answers to some puzzling questions:

How much weightage to merit in place of seniority in promotions?

How much weightage to each of the performance dimensions – technical, managerial, behavioral qualities?

What are the mechanisms of assessing the individual on different indicators of his potential and with what reliability?

#### ☐ **Feedback**

The system must provide an opportunity for every employee to know the results of his assessment. “He should be helped to understand the qualities actually required for performing the role for which he thinks he has the potential, the mechanisms used by the organizations to appraise his potential and the results of such an appraisal”.

### **9.3 Check your Progress**

1. The potential of a candidate could be rated by the..... who is acquainted with the candidate’s work in the past, especially his technical capabilities.



2. The ..... occurs when one aspect of the subordinate's performance affects the rater's evaluation of other performance dimensions.
3. A method requiring the rater to select the most ..... in each pair of statements about the employee being rated.
4. .... is a mental picture that an individual holds about a person because of that person's sex, age, religion, caste, etc. By generalizing behavior on the basis of such blurred images, the rater grossly overestimates or underestimates a persons' performance.
5. .... represents a modern method of evaluating the performance of personnel. Thoughtful managers have become increasingly aware that the traditional performance evaluation systems are characterized by somewhat antagonistic judgments on the part of the rater.

## 9.4 Summary

Performance appraisal is used to evaluate the quantitative and qualitative aspects of job performance. It is a process rather than an activity, as described in the lesson. The performance appraisal process, methods of performance appraisal as well as appraisal interview and feedback have been dealt in detail in the lesson. The lesson highlights individual evaluation and multiple evaluation techniques. It presents the problems faced during the process of performance appraisal and brings out the essential characteristics of an effective appraisal system.

## 9.5 Keywords

- **Halo Effect:** Bias which occurs when the rater's personal opinion of a specific trait of employee influencing the rater's overall assessment of performance.
- **Rating Scale:** A method which requires the rater to provide a subjective performance evaluation along a scale from low to high.
- **Forced Choice:** A method requiring the rater to select the most descriptive statement in each pair of statements about the employee being rated.
- **Paired Comparison:** A method that compels raters to compare each employee with all other employees who are being rated in the same group.



## 9.6 Self-Assessment Test

1. Describe in detail the process of performance appraisal.
2. “Management by objectives is not a technique of performance appraisal but it denotes a systematic process of performance appraisal”. Explain critically.
3. Discuss the merits and demerits of critical incident technique and graphic rating scales.
4. Why does current thinking indicate that appraisal for training should be conducted separately from appraisal for promotion?
5. To what extent appraisal problems can be minimized through computerization and by taking adequate precautions?
6. Explain the post appraisal interview problem between the superior and the subordinate.
7. Evaluate the significance of performance appraisal in an educational institution. How would you make it more effective?
8. “Performance appraisal is not merely for appraisal but is for accomplishment and improvement of performance”. Discuss.
9. Distinguish performance appraisal from potential appraisal.
10. “Some of the so-called modern industries still follow traditional techniques of performance appraisal”. Do you agree? If yes, defend your argument with reasoning.
11. What are the three methods of appraisal? Which method would you prefer as an employee? As a manager? Why?
12. Describe how to prepare a BARS for a payroll clerk.
13. Suppose you are a supervisor. What errors you might make when doing an employees’ performance appraisal?
14. Construct a plan for a post appraisal interview with an employee who has performed poorly.
15. Why is training of appraisers so important to an effective performance appraisal system?



16. Think of a time when an employee you supervised or interacted with a customer did something wrong. How would you have given him feedback?

### 9.7 Answers to check your Progress

1. Immediate supervisor
2. Halo error
3. Descriptive statement
4. Stereotyping
5. MBO

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<b>Lesson no. : 10</b>	<b>Vetter: Prof. Anil Kumar</b>
<b>CAREER AND SUCCESSION PLANNING; TALENT MANAGEMENT</b>	

## STRUCTURE

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## 10.1 Learning Objectives

This lesson highlights basic elements of career planning and succession planning, the difference between career planning and succession planning and examines talent management process, strategies and challenges.

After reading this lesson, students will be able to:

- Describe the concepts of Career Planning, Succession Planning
- Explain different types of career anchors
- Identify the difference between Career Planning and Succession Planning
- Explain the talent management process and strategies
- Examine the challenges of talent management

## 10.2 Introduction

The employees have started demanding a rewarding career from the employers. The young employees are no more interested in time bound promotions in the organizations but are excited in challenges and new opportunities and rewards. They are willing to go beyond normal working style which satisfies their competencies and skills in the organization. Thus, career programs need not to be concentrated on



the career growth opportunities as the adequate high-level positions may not always be available in the organizations to provide upward mobility to employees. Therefore, the efforts put in the direction of career planning need to emphasize on those areas that lead to psychological success instead of vertical growth means promotion.

A career is the work a person does in his entire life span. A career is the sequence of jobs that an individual has held throughout his or her working life. “Career Planning” therefore embraces a person’s entire life it may be spiritual, social, educational or vocational. It is the process by which individual selects career goals and the path to these goals. The career planning is made up of two words viz. career and planning. A career has been defined as a sequence of positions held by person during the course of a lifetime. It is viewed as a relationship between one or more organizations and the individual.

### 10.2.1 Definitions

According to D.T. Hall, “a career consists of changes in values, attitudes and motivation that occurs as a person grows older”.

Davis stated, “When people rely largely on luck, however, they seldom are prepared for the career opportunities that arise. Successful people identify their career goals, plan and then take action. For them luck occurs when opportunity meets preparation.” To some extent, a career is a carefully worked out plan for self-advancement and development. On the other hand, planning is a pre-determined course of action.

According to Allen, “planning is a trap laid to capture the future”.

It is a mental process involving fore sight, imagination, and sound judgment. It makes planner to think in a more logical and systematic manner. It involves choice among various alternative courses of action. If there is one way of doing something, there is no need for planning.

As per views of Koontz and O’Donnell, “planning is deciding in advance what to do, how to do it, when to do it, and who is to do it.”

A career may be defined as ‘a sequence of jobs that constitute what a person does for a living’. According to Schermerborn, Hunt, and Osborn, ‘Career planning is a process of systematically matching career goals and individual capabilities with opportunities for their fulfillment’. Career



planning is the process of enhancing an employee's future value. Career planning is an ongoing process through which an individual sets career goals and identifies the means to achieve them. The process by which individuals plan their life's work is referred to as career planning. "Career Planning is a deliberate process of becoming aware of self, opportunities, constraints, choices, and consequences; identifying career-related goals; and "career path" or programming work, education, and related developmental experiences to provide the direction, timing, and sequence of steps to attain a specific career goal." (McMahon and Merman). A career plan is an individual's choice of occupation, organization and career path.

Career planning encourages individuals to explore and gather information, which enables them to synthesize, gain competencies, make decisions, set goals and take action. It is a crucial phase of human resource development that helps the employees in making strategy for work-life balance.

Therefore, it is the process of thinking before doing. There is always need for a new plan to be drawn on the basis of new demands and changes in the circumstances. Planning is based on a future forecast, therefore, it should be reasonable flexible.

### **10.2.2 Features of Career Planning**

The features of career planning are as follows:-

- An ongoing process or continues process.
- Helps individuals to develop skills required to fulfill different career roles.
- Strengthens work-related activities in the organization.
- Defines life, career, abilities, and interests of the employees.
- Give professional directions, as they relate to career goals.

### **10.2.3 Objectives of Career Planning:**

The major objectives of career planning are as follows:-

- Identify positive characteristics of the employees.
- Develop awareness about each employee's uniqueness.



- Respect feelings of colleagues.
- Attract talented employees.
- Train employees towards team-building skills.
- Create healthy ways of dealing with conflicts, emotions, and stress.

#### **10.2.4 Benefits of Career Planning:**

The main benefits of career planning are under mentioned:-

- Ensures a constant supply of promotable employees.
- Helps in improving the loyalty of employees.
- Encourages an employee's growth and development.
- Discourages the supervisors/superiors who are interested in suppressing the growth of the subordinates.
- Ensures that senior management knows about the caliber and capacity of the employees
- Create a team of employees prepared enough to meet any contingency.
- Reduces labour turnover.
- Prepares succession planning towards which career planning is the first step.

#### **10.2.5 Career Anchors**

Career anchors are distinct patterns of self perceived talents, attitudes, motives and values that guide an employee's career after long experience. These are difficult to predict. Schein identified eight career anchors. Some of these are followings:-

- **Managerial Competence:**

This drive seeks managerial positions that provide opportunities for higher responsibility, decision making, control and influence over others.

- **Technical Competence**



Individual having this anchor seek to make career choices based on the technical or functional content of the work. It provide continuous learning and updating one's expertise in a technical or specialized area such as quality control, engineering, accounting, advertising, public relations etc.

- **Security:**

If one's career anchor is security than he is willing to do what is required to maintain job security, a decent income and a stable future.

- **Creativity:**

This drive provides entrepreneurial and innovative opportunities to the people. Employees are driven by an overwhelming desire to do something new that is totally of their own making.

- **Autonomy:**

This type Individual seeks a career that provides freedom of action and independence.

### 10.2.6 Different phases in the career of an employee

Before discussing the phases of career, let us discuss steps in career planning process for better understanding.

#### Self-Assessment

The first and foremost step in career planning is to know and assess yourself. You need to collect information about yourself while deciding about a particular career option. You must analyze your interests, abilities, aptitudes, desired lifestyle, and personal traits and then study the relationship between the career opted for and self.

#### Goal Setting

Set your goals according to your academic qualification, work experience, priorities and expectations in life. Once your goal is identified, then you determine the feasible ways and objectives.

#### Academic/Career Options

Narrow your general occupational direction to a particular one by an informatory decision making process. Analyze the career option by keeping in mind your present educational qualification and what



more academic degrees you need to acquire for it.

### Plan of Action

Recognize those industries and particular companies where you want to get into. Make the plan a detailed one so that you can determine for how many years you are going to work in a company in order to achieve maximum success, and then switch to another.

### Catch Hold of Opportunities

Opportunity comes but once. So, whenever you get any opportunity to prove yourself and get into your desired career, try to convert it in every way for suiting your purpose. Remember, a successful professional is also quite opportunistic in his moves, examining every opening to turn to his favor.

Most of working people go through various career stages. It has been examined that individual's needs and expectations change as the individual moves through these stages.

- **Exploration Stage:** This is the stage where an individual builds expectations about his career. Some of them are realistic whereas others are not. But the fact is that these could be a result of the individual's ambitions.
- **Establishment Stage:** This could be at the stage where the individual gets his first job, gets accepted by his peers, learns in this job, and also gains the first tangible evidence of success or failure. The stage occurs between ages 25 and 35. In this stage, the individual has made his or her career choice and is concerned with achievement, performance, and advancement. This stage is marked by high employee productivity and career growth, as the individual is motivated to succeed in the organization and in his or her chosen occupation. Opportunities for job challenge and use of special competencies are desired in this stage. The employee strives for creativity and innovation through new job assignments. Employees also need a certain degree of autonomy in this stage so that they can experience feelings of individual achievement and personal success.
- **Mid-Career Stage:** The individual's performance levels either continue to improve, or levels, or even deteriorates. This stage occurs between ages 35 and 50.
- **Late Career:** This is regarded as a pleasant phase, where one is allowed to relax and play the role of an elderly statesman in the organization.



- **Decline:** The stage, where the individual is heading towards retirement. Many organizations are conducting training programmes for retiring employees for various reasons.

### 10.2.7 Limitations of Career Planning

Though career planning helps an organization in numerous ways, but it has a few limitations that undermine the importance and relevance of career planning. These are:

- Time Factor

Career planning is usually a long-term and time-consuming process. It is based on the logic of suffering short-term pain to get long-term gains. However, organizations may not be ready to spend a lot of time and resources on a process that would prove beneficial only in the long term.

- Unsuitable for Large Workforce

It may not be possible for organizations with a large workforce to develop individual career plans for each and every employee of the organization. This is because the career plan process requires an in-depth analysis of each employee's strengths and weaknesses on a sustained basis.

- Lack of Objectivity

Only those organizations which believe in strict observance of objectivity in promotion and transfers can succeed in career planning. In contrast, favoritism and nepotism in promotions often make career planning an unsuccessful exercise.

- External Interventions

Government rules and regulations can also affect the Career planning options of an organization. For example, the government may make it mandatory for the organizations to adopt reservations in promotions.

- Lack of Knowledge and Awareness

Career planning by an employee is essentially a self-management process. It requires the employees to be aware of the basics of career planning and management activities. However, the employees at the lower levels of the organizational hierarchy may not be familiar with the career planning process.





- Lack of Flexibility

Many organizations treat career planning as a ritualistic, rigid exercise. They often fail to consider the uncertainties caused to the career planning activities by the changes in the situation. In fact, the absence of dynamic career planning programmes may limit the applicability of the career plans in uncertain and changing situations.

- Difficulty in Measuring Career Success

Since career success is an abstract concept, it is interpreted differently by different persons. Some may consider a good performance in the job as career success. Others may consider the quality of life as an indicator of career success. Still others may consider the vertical mobility in the organizational structure as career success. This divergence of opinions may cause confusion and vagueness in interpreting career success.

### 10.2.8 Succession Planning

Succession Planning is defined as the systematic process of **recognizing and creating future leaders** who are able to take the position of the old ones when they leave the organization due to retirement, resignation, termination, transfer, promotion or death.

Succession planning is a strategy for passing on leadership roles often the ownership of a company to an employee or group of employees. It is also known as "replacement planning". It ensures that businesses continue to run smoothly after a company's most important people move on to new opportunities, retire, or pass away.

Succession planning can also provide a liquidity event enabling the transfer of ownership in a going concern to rising employees. The absence of succession planning can hamper growth of organization. Succession planning also encourages hiring within the organization and creates healthy environment for the employees. The organization is more assured for smooth functioning of various operations.

In finer terms, it is a modern technique followed by many companies that concentrates on identifying the prospects, out of many employees in the organization, who might be possible successors, for the key positions.



Succession Planning is a part and parcel of the [Human Resource Planning](#), which acknowledges that the employees may or may not work with the organization in the future. And so to be at the safer side, a succession plan is developed to analyze the vacancies which might take place when an employee leaves the organization, the business areas which might be affected, job requirements and the skills of the existing incumbent.

Hence, there is a need for strategic planning, to determine where and how viable employees can fill the vacant positions.

### **Process of Succession Planning**

The followings are the steps in the process of succession planning:-

#### **Identifying Key Business Areas and Positions**

First and foremost, the key business areas are identified, i.e. the areas which are significant with respect to the operational activities and strategic objectives. After that, those positions are identified which if vacant can cause difficulty in achieving business objectives.

#### **Ascertaining Competencies for Key areas and positions**

Next, you need to determine the required competencies for key business areas and position, in order to create the selection criteria, establish performance standards and fill the difference between what the viable successors know and what they need to know, through the [training and development](#) process. It determines the knowledge, skills, ability and experience required to achieve business goals.

#### **Find out the interested and potential candidates**

After competency is analyzed, the next step is to identify among various employees working in the organization, who are interested as well as they have the capability to fill key business areas and positions. The Human Resource Manager discusses future career plans and interests with the candidates and identifies the potential successors who are ready to replace the old ones and can be trained and developed for future contingencies.

#### **Develop and Implement Succession Strategies**



Strategies for learning, training, development, knowledge transfer; experience sharing is developed and implemented for potential successors.

### **Evaluate Effectiveness**

The last step to the succession planning process is to evaluate the succession planning and management, to ensure that all the key business areas and positions are covered under the succession planning. Further, it also ensures that in case of any sudden vacancies in future, key positions can be filled as soon as possible and the successors perform effectively when they hold the position.

Therefore, **Succession Planning is all about developing a leadership substitute**, for a perpetual succession of the organization without any kind of disturbance, when there are changes in the top management.

An ideal Succession Planning is one that involves the participation of the top management, a thorough review of the plan developed, evaluation of the performance and capability of the candidates and each candidate is provided with the written development plan.

It is a rational decision of the management to promote the regular development of the workforce, to make sure that the top managerial positions have some sort of stability, thus ensuring an organization to attain its ultimate objectives.

### **10.2.9 Benefits and Challenges of Succession Planning**

There are several advantages for both employers and employees to having a formalized succession plan in place:

- Employees know that there is a chance for advancement and possibly ownership, which can lead to more empowerment and higher job satisfaction.
- Knowing that the company is planning for future opportunities reinforces career development among employees.
- Management's commitment to succession planning means that supervisors will mentor employees to transfer knowledge and expertise.



- Management keeps better track of the value of employees so that positions can be filled internally when opportunities arise.
- With succession planning, leadership and employees are better able to share company values and vision.
- With Baby Boomer business owners and leadership retiring in huge numbers, a new generation of leaders will be needed.
- Shareholders of publicly traded companies benefit from proper succession planning, such as the case when the next candidate for CEO is involved in business operations and is well respected years before the current CEO retires. Also, if investors observe a well-communicated succession plan, they won't sell the company's stock when the CEO retires.

### Challenges to Succession Planning

Historically, the issue of succession planning has received scant attention from a policy perspective in the corporate governance debates in India. More recently, however, succession planning has played a key role in corporate governance episodes such as Tata Sons and Infosys, thereby highlighting the importance of the concept. Regulators and policymakers have begun to place emphasis on succession planning given the adverse impact a poorly constructed and shabbily implemented succession can have on investors in listed companies.

From a regulatory perspective, two prominent tools have been deployed to address succession matters. The first is to task the board of directors, including the current CEO, to spearhead the succession planning process in a company. The second is to enable an adequate disclosure of the succession planning policy and processes to make them transparent for the benefits of investors. For example, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 impose the responsibility of overseeing succession planning on the board of directors of a company, as they are required to satisfy itself that “plans are in place for orderly succession for appointment to the board of directors and senior management” (regulations 4(2)(f)(ii)(3) and 17(4)). The Kotak Committee report also touched upon succession planning by recommending that boards of listed companies must discuss the matter at least once a year.



There are plenty of challenges that must be addressed in proper succession planning. Some of the most important include the following:

- The size of organization determines ability to provide opportunities for advancement, along with employees with the potential and the drive to advance their careers to move the organizations forward;
- Issues with financial resources, so that employees remain content with adequate salaries and benefits;
- The nature of funding may be an issue as more organizations rely on project funding as opposed to core funding;
- Looking at temporary staff and consultants as part of the talent pool available to a company;
- Senior managers who stay in their positions for too long or have expectation rights that are unrealistic;
- Management that no longer has the skills needed for the top job;
- The requirements of company's executive leadership have changed;
- A company's leader is no longer making a meaningful and productive contribution to the company;
- Failing to strategically include promising employees in the succession plan, rather than including those who are disinterested, unmotivated, or lack the capacity to advance;
- Inadequate training and development will mean employees who are not ready for a promotion;
- Succession plan doesn't promote people regularly, resulting in potential successors leaving the organization for other opportunities; and
- Poor communication, which creates confusion and unrest within the company with staff speculation about the true details of the succession plan.



### 10.2.10 Difference between Career Planning and Succession Planning

Career Planning	Succession Planning
1. Career planning is the process or activities offered by an organization to the individuals or its employees to identify their strength, weaknesses, specific goals and the jobs they would like to occupy. Through career planning, the employees, individuals, identify and implement steps to attain their career goals.	1. Succession planning is the important process which involves identification of individuals or employees as the possible successors to the key or very senior positions in an organization which such position become vacant. Thus, in short, succession planning focuses on the identification of vacancies and locating probable successor.
2. In career planning, an organization is concerned with the strategic questions of career development.	2. In succession planning, the main focus is the person who can occupy the vacant post.
3. Career Planning is a vital for all managerial cadres and posts.	3. Succession planning is essential for all those who operate in key functional areas and also for key managerial cadres that are likely to become vacant.
4. Career Planning's basis is long term till the retirement of the employment contract.	4. Succession Planning is usually for 2 to 5 or 2 to 7 years period for an individual but it is a continuous exercise for an organization.
5. The important objective of career planning is to explore the opportunities to enable the individual employees to grow, develop, encourage and motivate them for self-development.	5. The important objective of succession planning is to identify the most suitable, potentially qualified, efficient, skilled and experienced employees or individuals to occupy or succeed to key positions when they become vacant.



### 10.2.11 TALENT MANAGEMENT

Talent Management refers to the skills of attracting highly skilled workers, of integrating new workers, and developing and retaining current workers to meet current and future business objectives. Talent management in this context doesn't refer to the management of entertainers. Companies engaging in a talent management strategy shift the responsibility of employees from the human resources department to all managers throughout the organization. The process of attracting and retaining profitable employees, as it is increasingly more competitive between firms and of strategic importance, has come to be known as "the war for talent." Talent management is also known as HCM (Human Capital Management).

In the ancient times Kings like Akbar used to keep Nine Genius with him. They were Super Stars of that time. The most famous among them were Birbal the Genius and Tansen the Music Maestro. Similar cases are there in all the pre-historic ages. In the Ramayan era King Dasharath had Top Talent with him in the form of Vasistha and Vishwamitra. In the Mahabharata era King Dhritrashtra had Bhishmacharya, Dronacharya, Kripacharya, Karna, and other such stalwarts. In the Puranas you will observe that King of Gods Lord Indra had assigned the tasks to his 330 million god army. Everyone was talented rather expert in his field of excellence. There are many such cases found in ancient China, Greece, Roman Empire, Egypt, Hebrews, Phoenicians, Hittites, Norman, Celts, Vikings, Anglo-Saxon, Mongols, Japanese, Celts, Kush, and in many such known or unknown ancient civilizations like Vedic, Lothal, Maya, Mesopotamia, and Aztec. So, Talent Management is not new but it has taken a new dimension in the Global Village Era.

Talent management is the systematic process of identifying the vacant position, hiring the suitable person, developing the skills and expertise of the person to match the position and retaining him to achieve long-term business objectives

Talent management is an organization's obligation to recruit, retain, and develop the most talented and superior employees obtainable in the job market. Some studies do consider talent management at the individual level, such as how 'talent' is defined in organizational practices. Talent management confirms the placement of right kind of people on the right job. Talent management consists of a complete set of processes to determine, use and manage people in order to perform organizational



required business strategies successfully. Talent management has become an integral strategy and approach for International human resource practices and is an obligation for broadly shared belief that human resources are organization's top priority objective and source of competitive advantage.

### 10.2.12 Talent Management Process

The process involves identifying talent gaps and vacant positions, sourcing for and onboarding the suitable candidates, growing them within the system and developing needed skills, training for expertise with a future-focus and effectively engaging, retaining and motivating them to achieve long-term business goals. The definition brings to light the overarching nature of talent management – how it permeates all aspects pertaining to the human resources at work while ensuring that the organization attains its objectives. It is thus the process of getting the right people onboard and enabling them to enable the business at large.

Under the umbrella of talent management, there are a string of elements and sub-processes that need to work in unison to ensure the success of the organization. For example, analyzing the right talent gaps for the present and the future, identifying the right talent pools and best-fit candidates, getting them to join and then optimizing their existing skills and strengths while helping them grow are touch-points that are all equally important. They support each other and the whole structure would crumble even if one sub-process fell out of sync.

The talent management process has six stages which are as follows:-

**Planning:** It is the initial step in the process of Talent Management. It involves the following:

- Identifying the human capital requirement.
- Developing the job description and key roles.
- Proposing a workforce plan for recruitment.

**Attracting:** Deciding whether the source of recruitment should be internal or external and seeking for the suitable individuals to fill in the vacant positions through:

- Job Portals such as Naukri.com, Timesjob.com, etc.
- Social Network such as LinkedIn and Twitter.





- Referrals.

**Selecting:** [Recruiting](#) and selecting the personnel. It involves the following steps:

- Scheduling written test and [interviews](#).
- Scrutinizing the most suitable candidate for the profile.

**Developing:** In this stage, the employee is prepared according to and for the organization and the profile. Following are the steps involved in the process:

- Carrying out an on boarding programme or an [orientation programme](#).
- Enhancing the skills, aptitude and proficiency of the personnel to match the profile.
- Counseling, guiding, coaching, educating, mentoring employees and job rotation.

**Retaining:** Employee retention is essential for any organizational existence and survival. Following are the ways of employee retention:

- Promotions and increments.
- Providing opportunities for growth by handing over special projects.
- Participative decision making.
- Teaching new job skills.
- Identifying the individual's contribution and efforts.

**Transitioning:** Talent management aims at the overall transformation of the employees to achieve the organizational vision. It can be done through:

- Retirement benefits to employees.
- Conducting [Exit interviews](#).
- Succession Planning or Internal Promotions.

### 10.2.13 Talent Management Strategy



Talent management is not a mere checklist of requirements that need to be sufficed – it is a strategy that needs careful implementation, regular checks, and continual improvement. The following are the six primary talent management strategies that serve as the pillars of people functions.

#### Detailed job descriptions

A well-informed, detailed job description helps the source, the sourcing software, and the candidate understand the job-role better. Generic job descriptions only serve to confuse all parties involved in the talent acquisition process and lead to a wave of irrelevant applications. Information that must be a part of the job description includes the following:

- Job title and location
- Overall duties
- Skills required
- Reporting lines
- Tools and equipment used
- Salary and benefits

#### Person-organization fit

An employee that does not fit into the organizational culture can neither be the happiest employee nor the most sustainably productive one. While the culture can be difficult to define in words, it is prevalent in actions and quite easy to understand whether a candidate would be a good fit or not. Personal and organizational values need to have a certain degree of overlap for any employee to feel at home within the organization. Without a comfortable person-organization fit, the most of time, effort and energy would go into attempts at adjustment.

#### Collaborate-coach-evolve

An important strategy to make talent management more effective involves creating a culture of coaching, mentoring and collaboration. Constructive feedback goes a long way when it comes to helping employees evolve and develop their skills and expertise. Managing talent is thus also about



preparing them for the future of the organization – to be ready for changes down the path and to be able to rely on each other.

### **Reward and recognize right**

The process of rewards and recognition forms an important part of the strategy to motivate, engage and manage employees better. This goes beyond financial rewards and bonus packages.

### **Opportunities for continuous improvement**

Managing talent needs to be put in the context of the future that the organization has envisioned for itself. Thus, employees need to be equipped with the right tools to be able to maximize their own potential. For the continuous improvement of the organization, there needs to be the scope and opportunities for the continuous development of its employees.

Talent management involves strategically planning career paths that make sense for every employee. We all tend to work better we know where we are headed and what the next stop is for our careers. This does not entail making empty promises of promotions but rather creating a career map in discussion with the employee, making sure that they relate to it and feel that it is realistic while also providing them with all the necessary tools to make the map a reality. Having a map to follow also improves retention scores since employees then know what they have to look forward to and work towards and can then collaborate effectively to achieve it.

## **10.2.14 Benefits of Talent Management**

**The talent management is not only beneficial for organization but also important for employees also. These benefits are the followings:-**

### **Benefits for the organization**

Strategic talent management results in the accomplishment of organizational vision.

- Filtration of talented employees and retaining of the finest ones.
- Talent management strengthens the organizational structure by building strong human capital.
- It helps the organization to succeed over its competitors and establish a strong presence in the market.



- It builds up a good reputation of the company among the job seekers.
- It leads to improved participative decision making by the management.
- It directs continuous improvement in organizational performance making it more efficient and effective.

### **Benefits of talent management for employees**

- Talent management initiates a positive environment in the organization where employees experience job satisfaction.
- Employees get a chance of learning and improving themselves which motivates them to perform better.
- The training and development programmes help the employees to learn something new, enhancing their personal skills and knowledge.
- The organization focuses on an individual's growth and betterment hence employees develop a feeling of being cared for and belongingness for the organization.
- The employees remain associated with the organization for a long-term period.
- Recognition and rewards lift up the employee's confidence level.
- The rigorous learning, adds on to the experience of the employees.

In today's global scenario, the human resource has been a very effective tool for the company's growth and success. Thus to make the best possible utilization of the employee's talent and skills, talent management is essential.

### **10.2.15 Challenges of Talent Management**

#### **Encouraging passion**

Talented individuals want to work for an organization and in an environment that suits their values, attitudes and expectations. They generally won't settle for 'a job' just because it pays quite well and they are capable of meeting the job requirements. Those attitudes may be typical of the average



employee (though even that might be a dangerous assumption) but are simply not enough to attract the real talent.

Highly talented individuals believe they are worth more than that, and want to be aligned with the organization (or vice versa) and for it to be doing something that they care about. They want a job that engages and suits them. The simple truth is that most organizations and most senior leaders just aren't ready for these kinds of employees, or able to meet their needs and aspirations.

### **Embracing new interests**

Part of that re-imagining is driven by the changing nature, needs and behavior of younger recruits – especially 'digital natives'. It is from this more recent cohort that much of the 'talent' we are talking about will come. They interact with the world through technology as their first instinct.

Conversely, many of the senior leaders at the head of organizations are 'baby boomers'. These two generations typically have a very different relationship with technology and modern methods of communication such as blogs, webinars, tweets and messaging. Many of the under 30's that are often the 'talent pool' out in the market want to work in an organization that feels, thinks, behaves and represents itself like them. They expect to be valued and developed, and to have interesting, satisfying and challenging work.

The senior leadership often believes that it is enough to pay them well and give them a few benefits. There is a fundamental mis-match of expectations here, and it has to be resolved if talent is to arrive and stay.

### **Offering impressive salaries**

The salary package is the headline of that and the thing a talented person will see upfront. If they self-select out of your prospective talent-pool by choosing not to apply for a job with you, you won't have the chance to 'sell' your organization to them, no matter how good it actually is.

### **Giving engaging work**

Talented individuals won't tolerate a boring job for very long, if at all. Many senior leaders in my experience take the attitude that 'I had to pay my dues and so do they', and therefore expect talented recruits to 'learn the ropes'. Bad news: they won't.



### **Attracting talent in the first place**

Talent moves in packs. Once you have attracted a pool of younger talent, others will gravitate towards them

### **Being open-minded**

Working styles and patterns are different young professionals, especially for the high-performers.

The new generation of talent also has the ability to work collaboratively to create ideas or content. I once taught some post-graduate students who completed a 4 week project in 3 days by posting the key questions on several websites, gathering the many responses, synthesizing them for the best answers, and then collating these into a finished report which they sent out for comment and revision. This was not ‘cheating’, but using the available technologies to their full potential, and deploying many skills that are hugely productive in the modern workplace.

## **How to Overcome Challenges of Talent Management**

### **Smart Hiring Strategies**

Since the primary objective of the recruiter is to hire and retain the potential and best candidate who played a major role in the growth of the company. For this, it is essential for the recruiter to spend more time on short listing the candidates who can add to the businesses. Follow the best hiring practices and invest time in learning hiring strategies that help in attracting talent and in convincing them to work for your client.

### **Enhancing Technological Experience**

The recruiter must be aware of using applicant tracking software. Such technology automates these processes with software and help in accelerating the recruiting process and in searching the right talent for the company.

### **Developing Leadership Qualities**

Although it is difficult to improve the current leadership it is possible to find and hire the talented manager. A company with good leaders helps in recruiting the employee that fits best for the company. Also, the talented manager presents a good picture of the company and enhances business qualities.



## Conclusion

The whole process of talent management depends on the entire workforce. Each employee plays their own specific role in talent management. The technology-driven [talent management software](#) helps everyone from the manager to new employees to work together and to increase the probability of their retention in the company. Considering the above challenges of talent management and learning the best way to overcome them help the company and employees in growing positively in the right direction.

## 10.3 Check your Progress

- 1..... is the systematic process of identifying the vacant position, hiring the suitable person, developing the skills and expertise of the person to match the position and retaining him to achieve long-term business objectives.
2. The process of attracting and retaining profitable employees, as it is increasingly more competitive between firms and of strategic importance, has come to be known as "the war for talent." Talent management is also known as .....
- 3.....is a deliberate process of becoming aware of self, opportunities, constraints, choices, and consequences; identifying career-related goals; and "career path" or programming work, education, and related developmental experiences to provide the direction, timing, and sequence of steps to attain a specific career goal.
4. ....are distinct patterns of self perceived talents, attitudes, motives and values that guide an employee's career after long experience. These are difficult to predict.
5. .... is a strategy for passing on leadership roles often the ownership of a company to an employee or group of employees. It is also known as "replacement planning".
- 6..... is the stage where an individual builds expectations about his career. Some of them are realistic whereas others are not. But the fact is that these could be a result of the individual's ambitions.



7..... could be at the stage where the individual gets his first job, gets accepted by his peers, learns in this job, and also gains the first tangible evidence of success or failure.

8. The ..... discusses future career plans and interests with the candidates and identifies the potential successors who are ready to replace the old ones and can be trained and developed for future contingencies.

9..... It is overall transformation of the employees to achieve the organizational vision.

### 10.4 Summary

A career is the work a person does in his entire life span. A career is the sequence of jobs that an individual has held throughout his or her working life. Career planning encourages individuals to explore and gather information, which enables them to synthesize, gain competencies, make decisions, set goals and take action. Career planning encourages individuals to explore and gather information, which enables them to synthesize, gain competencies, make decisions, set goals and take action. It is a crucial phase of human resource development that helps the employees in making strategy for work-life balance.

Therefore, it is the process of thinking before doing. There is always need for a new plan to be drawn on the basis of new demands and changes in the circumstances. Planning is based on a future forecast, therefore, it should be reasonable flexible.

The Career anchors denote the basic drives that create the urge to take up a certain type of a career. Most of working people go through various career stages. It has been examined that individual's needs and expectations change as the individual moves through the stages. Though career planning helps an organization in numerous ways, but it has a few limitations that undermine the importance and relevance of career planning.

Succession planning is a strategy for passing on leadership roles often the ownership of a company to an employee or group of employees. It is also known as "replacement planning". It ensures that businesses





continue to run smoothly after a company's most important people move on to new opportunities, retire, or pass away.

Historically, the issue of succession planning has received scant attention from a policy perspective in the corporate governance debates in India. More recently, however, succession planning has played a key role in corporate governance episodes such as Tata Sons and Infosys, thereby highlighting the importance of the concept.

Talent management is the systematic process of identifying the vacant position, hiring the suitable person, developing the skills and expertise of the person to match the position and retaining him to achieve long-term business objectives. Talent management is not a mere checklist of requirements that need to be sufficed – it is a strategy that needs careful implementation, regular checks, and continual improvement. Talent management initiates a positive environment in the organization where employees experience job satisfaction. Employees get a chance of learning and improving themselves which motivates them to perform better.

Talent management strengthens the organizational structure by building strong human capital. It helps the organization to succeed over its competitors and establish a strong presence in the market. The technology-driven [talent management software](#) helps everyone from the manager to new employees to work together and to increase the probability of their retention in the company.

## 10.5 Keywords

- **Career planning:** A process of systematically matching career goals and individual capabilities with opportunities for their fulfillment.
- **Career Anchors:** Drives that create the urge to take up a certain type of a career.
- **Transitioning:** It is overall transformation of the employees to achieve the organizational vision.
- **Decline:** The stage, where the individual is heading towards retirement.
- **Exploration Stage:** This is the stage where an individual builds expectations about his career.
- **Baby Boomer:** Individuals born between 1946 to 1964
- **Succession planning:** A strategy for passing on leadership roles often the ownership of a company to an employee or group of employees



## 10.6 Self-Assessment Test

1. Define career planning. Discuss main features of career planning.
2. What are the objectives of career planning? Explain the benefits of career planning.
3. What are career Anchors? Explain its importance in career planning.
4. Discuss different phases in the career of an employee.
5. What are limitations of career planning?
6. Define succession planning. What are the benefits of succession planning?
7. Differentiate between career planning and succession planning.
8. What do you understand by talent management? Explain the talent management process.
9. Critically evaluate **talent management strategy**. **What are the benefits** of talent management?
10. What are the Challenges of talent management? Suggest strategy to overcome these challenges.
11. Discuss the steps in the process of succession planning.
12. Evaluate the challenges of succession planning.

## 10.7 Answers to check your Progress

1. Talent management
2. Human Capital Management
3. Career Planning
4. Career anchors
5. Succession planning
6. Exploration Stage
7. Establishment Stage
8. Human Resource Manager
9. **Transitioning**



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<b>COMPENSATION MANAGEMENT; INCENTIVES AND EMPLOYEE BENEFITS</b>	

## STRUCTURE

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## 11.1 Learning Objectives

This lesson highlights the Objectives of Compensation Management. It explains Components of Pay Structure in India. It examines Principles of Wages and Salary Administration. It explains Factors affecting Compensation Level and Wages Policy and Regulations in India. It evaluates the Incentives Plans

After reading this lesson, students will be able to:

- Describe the Objectives of Compensation Management
- Explain Components of Pay Structure in India
- Examine the Factors affecting Compensation Level
- Identify the Principles of Wages and Salary Administration
- Explain the Wages Policy and Regulations in India
- Evaluate the Incentives Plans

## 11.2 Introduction

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

Employee compensation may be classified into two types – base compensation and supplementary compensation. Base compensation refers to monetary payments to employees in the form of wages and salaries. The term 'wages' implies remuneration to workers doing manual work. The term 'salaries' is



usually defined to mean compensation to office, managerial, technical and professional staff. The distinction, however, is rarely observed in actual practice. Base compensation, it should be noted here, is a fixed and non-incentive payment on the basis of time spent by an employee on the job. Supplementary compensation signifies incentive payments based on actual performance of an employee or a group of employees. The term ‘compensation administration’ or wage and salary administration denotes the process of managing a company’s compensation programme. The goals of compensation administration are to design a cost-effective pay structure that will attract, motivate and retain competent employees’ (Robbins).

### 11.2.1 Objectives of Compensation Management

A sound plan of compensation management seeks to achieve the following objectives:

- To establish a fair and equitable remuneration offering similar pay for similar work.
- To attract qualified and competent personnel.
- To retain the present employees by keeping wage levels in tune with competing units.
- To control labour and administrative costs in line with the ability of the organization to pay.
- To improve motivation and morale of employees and to improve union-management relations.
- To project a good image of the company and to comply with legal needs relating to wages and salaries.

### 11.2.2 Components of Pay Structure in India

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

#### Wages

In India, different Acts include different items under wages, though all the Acts include basic wage and dearness allowance under the term wages. Under the Workmen’s Compensation Act, 1923, “wages for leave period, holiday pay, overtime pay, bonus, attendance bonus, and good conduct bonus” form part of wages. Under the Payment of Wages Act, 1936, Section 2 (vi), “any award of settlement and



production bonus, if paid, constitutes wages.”Under the Payment of Wages Act, 1948, “retrenchment compensation, payment in lieu of notice and gratuity payable on discharge constitute wages.”

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

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

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

### **Basic Wage**

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

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

It is the allowance paid to employees in order to enable them to face the increasing dearness of essential commodities. It serves as a cushion, a sort of insurance against increase in price levels of commodities. Instead of increasing wages every time there is a rise in price levels, DA is paid to neutralize the effects



of inflation; when prices go down, DA can always be cut down to size. This, however, remained a pipe dream as prices never come down to effect a cut in dearness allowance payable to employees.

### 11.2.3 Principles of Wages and Salary Administration

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

1. Wage and salary plans should be sufficiently flexible.
2. Job evaluation must be done scientifically.
3. Wage and salary administration plans must always be consistent with overall organizational plans and programmes.
4. Wage and salary administration plans and programmes should be in conformity with the social and economic objectives of the country like attainment of equality in income distribution and controlling inflationary trends.
5. Wage and salary administration plans and programmes should be responsive to the changing local and national conditions.
6. These plans should simplify and expedite other administrative processes.

### 11.2.4 Factors affecting Compensation Level

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

▪ **Job needs:** Jobs vary greatly in their difficulty, complexity and challenge. Some need high levels of skills and knowledge while others can be handled by almost anyone. Simple, routine tasks that can be done by many people with minimal skills receive relatively low pay. On the other hand, complex, challenging tasks that can be done by few people with high skill levels generally receive high pay.

▪ **Ability to pay:** Projects determine the paying capacity of a firm. High profit levels enable companies to pay higher wages. This partly explains why computer software industry pays





better salaries than commodity based industries (steel, cement, aluminum, etc.). Likewise multinational companies also pay relatively high salaries due to their earnings power.

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

Most employers, nowadays, are interested in paying a fair wage to all workers which is neither very high (affecting the company's profitability) nor very low (where attracting and retaining people becomes difficult).

### 11.2.5 Wages Policy and Regulations in India

From the employee's point of view 'wages' determines his standard of living. Wage policy, therefore, is an important issue and recognizing its importance the Constitution of India guaranteed



‘equal pay for equal work’ for both men and women (Article 39) and reiterated that the State must endeavor to secure for all workers a living wage and conditions of work which ensure a decent standard of life (Article 43). After Independence the Government realized that the wages of workers can’t be left to the fluctuations (in demand and supply of) in labour market conditions. It has decided to fix statutory minimum wages.

### **Minimum Wage, Fair Wage and Living Wage**

**Minimum wage:** Minimum wage is that wage which must invariably be paid whether the company, big or small, makes profits or not. It is the bare minimum that a worker can expect to get for services rendered by him. The 15<sup>th</sup> Indian Labour Conference (1957) formally quantified the term ‘minimum wage’ thus:

- ☐ 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 being disregarded;
- ☐ Minimum food requirements should be calculated on the basis of a set intake of calories as recommended by Dr Aykroyd for an average Indian adult of moderate activity;
- ☐ 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;
- ☐ 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;
- ☐ Fuel, lighting and other miscellaneous items of expenditure should constitute 20 per cent of the total minimum wage.

**Fair wage:** It is that wage which is above the minimum wage but below the living wage. According to the Committee on Fair Wages, 1948, fair wage should be determined taking the following factors into account:

- ix. the productivity of labour;
- x. the prevailing rates of wages in the same or similar occupations in the same region or neighboring regions;



- xi. the level of national income and its distribution;
- xii. the place of industry in the economy of the country; and
- xiii. the employer's capacity to pay.

**Living wage:** According to the Committee on Fair Wages, the living wage is the highest among the three. It must provide (i) basic amenities of life, (ii) efficiency of worker and (iii) satisfy social needs of workers such as medical, education, retirement, etc. 'Living Wage' is a dynamic concept, which grows in line with the growth of the national economy.

The Government has adopted various methods to regulate wages in India such as prescribing minimum rates of wages, regulating payment of wages, settlement of wage related disputes through adjudication process, setting of wage boards, etc.

### **Minimum Wages Act, 1948**

The Act prescribes minimum rates of wages certain sweated and unorganized sectors covered under the Act. The minimum wages can be fixed by hour, day, month or any other longer period. The Act provides for setting up a tripartite body consisting of employees, unions and the government, to advise and assist in fixing and revising minimum wage rates. The rates could be subjected to revision at intervals not exceeding 5 years. The Act has not been able to prevent exploitation of labour due to a variety of reasons:

- The Vidyasagar Committee, 1965, pointed out that the desired objective of the Act could not be realized due to inadequate and improper organization of the administrative machinery.
- Minimum wages have not been revised as stipulated in the Act. They are revised after much longer intervals.
- The Act did not define minimum wages nor specified any norms for its determination.

### **The Payment of Wages Act, 1936**

The main objective of the Act is to provide for regular payment of wages without any unauthorized reductions to persons who are employed in any industrial establishment or factory or railway or by a railway contractor whose monthly wages is less than Rs 1600. The Act prescribes the following permissible deductions to be made from the employee's salary: fines, deductions for absence,



deductions for (i) loss of goods entrusted to worker, (ii) house given by employer, (iii) services provided by employer, (iv) advances given to worker, (v) tax payable by employer and deductions under court orders, cooperative society. PF, insurance premium, etc.

### **Adjudication of Wage Disputes**

Collective bargaining is a procedure through which employee problems relating to various issues including wages are settled through the process of joint consultation, in an atmosphere of 'give and take', trust and mutual confidence. If these problems are not settled through collective bargaining, they may be settled through voluntary arbitration or adjudication. The awards given or reached by or through the arbitrator or adjudicator or collective bargaining agreements form the basis for fixing wages in various organizations.

### **Wage Boards**

This is one of the important institutions set up by the Government of India for fixation and revision of wages. Separate wage boards are set up for separate industries. Government of India started instituting Wage Boards in accordance with the recommendations of Second Five-year Plan, which were reiterated by the Third Five-year Plan. Wage Boards are not governed by any legislation but are appointed on an adhoc basis by the Government.

Each Wage Board consists of one neutral Chairman, two independent members and two or three representatives of workers and management each. The Wage Boards have to study various factors before making any recommendations. The recommendations of Wage Board are first referred to the Government for acceptance. The Government may accept with or without modification or reject the recommendations of the Wage Board. The recommendations accepted by the Government are enforceable by the parties concerned.

The Wage Boards take the following factors into consideration for fixing or revising the wages in various industries:

(i) Job evaluation, (ii) Wages rates for similar jobs in comparable industries, (iii) Employees' productivity, (iv) Firms ability to pay, (v) Various wage legislations, (vi) Existing level of wage differentials and their desirability, (vii) Government's objectives regarding social justice, social



equality, economic justice and economic equality, (viii) Place of the industry in the economy and the society of the country and the region, (ix) Need for incentives, improvement in productivity, etc.

The Wage Boards fix and revise various components of wages like basic pay, dearness allowance, incentive earnings, overtime pay, house rent allowance and all other allowances.

### **Pay Commissions**

Wages and allowances of Central and State government employees are determined through the pay commissions appointed by the appropriate government. So far the Central Government has appointed five pay commissions. The disputes, arising out of pay commission awards and their implementation are decided by commissions of inquiry, adjudication machinery and the joint consultative machinery.

### **11.2.6 Incentives Plans**

Incentive plans envisage a basic rate usually on time basis applicable to all workers and incentive rates payable to the more efficient among them as extra compensation for their meritorious performance in terms of time, costs and quality. The incentive rates may take the form of bonus or premium. Bonus means payment to workers of the entire benefit accruing from savings in costs, time, improvement in quality, etc. Premium means the benefits accruing to the firm as the result of higher output or better quality will be shared equally or on some agreed basis between the management and the workers.

**Features of Incentive Plans:** The characteristics of these plans are as follows:

- Minimum wages are guaranteed to all workers.
- Incentives by way of bonus, etc., are offered to efficient workers for the time saved.
- A standard time is fixed and the worker is expected to perform the given work within the standard time. The standard time is set after making time studies for the performance of a specific job.
- Incentive plans incorporate all the advantages of piece rate wages but they resemble time wages so far as the payments are concerned. Under Incentive Plans, the employer as well as the employee share the benefit of time saved.
- The various incentive plans have benefited both workers and employers, as they result in higher wages, lower labour turnover and better industrial relations and morale.



The following are the more important incentive plans of wage payment:-

### **Taylor's Differential Piece Rate System**

F W Taylor, the father of Scientific Management, originated this system. The main features of this plan are:

5. There shall be two piece work rates, one is lower and another is higher.
6. The standard of efficiency is determined either in terms of time or output based on time and motion study.
7. If a worker finishes work within standard time (or produces more than standard output within time) he will be given high piece rate.

This system penalizes the slow worker by paying low rate because of low production, rewards an efficient worker by giving him high rate because of higher production. Indirectly, this system gives no place to inefficient work. In other words, if the output of a worker is less than the standard output, he is paid a low rate and vice versa.

### **Merrick's Differential Piece Rate System**

We have seen that in the Taylor's Method, the effect on the wages is quite severe in the marginal cases. To remove this defect Merrick came out with a Multiple Piece Rate System. There are three piece rates under this scheme instead of two and workers producing below the standard output are not penalized by the low piece rate. Since the earnings increase with increased efficiency, performance above the standard will be rewarded by more than one higher differential piece rate.

### **Halsey Plan**

This plan, originated by F A Halsey (an American engineer) recognizes individual efficiency and pays bonus on the basis of time saved. The main features of this plan are:

- ☐ Standard time is fixed for each job or operation.
- ☐ Time rate is guaranteed and the worker receives the guaranteed wages irrespective of whether he completes the work in the time allowed or takes more time to do the same.



- If the job is completed in less than the standard time, the worker is paid a bonus of 50% (33 1/3 per cent under Halsey-Weir Plan) of time saved at time rate in addition to his normal time wages.

Total Earnings = Time taken x Hourly Rate plus Bonus

Bonus = 50% of time saved

This plan was introduced by D. Rowan in 1901. As before, the bonus is paid on the basis of time saved. But unlike a fixed percentage in the case of Halsey plan, it takes into account a proportion as follows:

Time saved

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Time allowed

Thus, under this plan bonus is that proportion of the wages of time taken which the time saved bears to the time allowed or standard time.

Time saved

$$\text{Bonus} = \frac{\text{Time saved}}{\text{Standard time or time allowed}} \times \text{Time taken} \times \text{Hourly rate}$$

Total earnings = Time Taken × Hourly Rate + Bonus

### Gantt Task and Bonus Plan

This plan combines time, piece and bonus systems. The main features of this plan are:

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

**Bedeaux Plan**

Under this plan, every operation or job is expressed in terms of so many standard minutes, which are called 'Bedeaux points' or "B's" each B representing one minute through time and motion study. Upto 100% performance, i.e., upto standard B's, a worker is paid time wages without any premium for efficiency. If the actual performance exceeds the standard performance in terms of B's, then 75% of the wages of the time saved is paid to the worker as bonus and 25% is earned by the foremen.

**Haynes Mani Plan**

This plan is just like the above plan, i.e., the Bedeaux plan with the difference that:

- The standard is fixed in terms of standard minute known as 'Manit', instead of Bedeaux. Manit stands for man-minute.
- The bonus is only 50% as against 75% of the Bedeaux plan. Of the remaining 50%, 10% bonus is paid to supervisors and 40% is retained by the employers.

**Emerson's Efficiency Plan**

Under this plan when the efficiency of the worker reaches 67% he gets bonus at the given rate. The rate of bonus increases gradually from 67% to 100% efficiency. Above 100% bonus will be at 20% of the basic rate plus 1% for each 1% increase in efficiency.

**Accelerated Premium Bonus Plan**

This plan is also known as Sliding Scale Bonus Plan because the premium is paid at varying rates for increasing efficiency. In this plan, as efficiency of worker improves, his earnings would increase in greater proportion. This plan is most suitable for foremen and supervisors because it will stimulate them to get higher production from workers under their supervision but it is not advisable to use it for machine operators who may rush through work to earn more, disregarding quality of production.

Indirect monetary incentives based on the prosperity of an organization may also be offered to workers with a view to promote zeal and commitment on their part. The following schemes fall under this category:





### Profit Sharing and Stock Option Plans

Profit sharing is a scheme whereby employers undertake to pay a particular portion of net profits to their employees on compliance with certain service conditions and qualifications. The purpose of introducing profit sharing schemes has been mainly to strengthen the loyalty of employees to the firm by offering them an annual bonus (over and above normal wages) provided they are on the service rolls of the firm for a definite period. The share of profit of the worker may be given in cash or in the form of shares in the company. These shares are called bonus shares. In India, the share of the worker is governed by the Payment of Bonus Act.

#### Merits

- ☐ The idea of sharing the profits inspires the management and the worker to be sincere, devoted and loyal to the firm.
- ☐ It helps in supplementing the remuneration of workers and enables them to lead a rich life.
- ☐ It is likely to induce motivation in the workers and other staff for quicker and better work so that profits of the firm are increased which in turn increases the share of worker therein.
- ☐ Workers do not require close supervision, as they are self-motivated to put in extra labour for the prosperity of the firm.
- ☐ It attracts talented people to join the ranks of a firm with a view to share the profits.

#### Demerits

- ☐ Profits sharing scheme is, in practice, a fair-weather plan. Workers may get nothing if the business does not succeed.
- ☐ Management may dress up profit figures and deprive the workers of their legitimate share of profits.
- ☐ Workers tend to develop loyalty toward firm discounting their loyalty toward trade unions, thus impairing the solidarity of trade unions.
- ☐ Fixation of worker's share in the profits of firm may prove to be a bone of contention in the long run.



### **Co-partnership**

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

### **11.2.7 Extra Employee Benefits/Fringe Benefits**

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

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

### **Need for Fringe Benefits**



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

- **Employee demands:** Employees demand more and varied types of fringe benefits rather than pay hike because of reduction in tax burden on the part of employees and in view of the galloping price index and cost of living.
- **Trade union demands:** Trade unions compete with each other for getting more and a new variety of fringe benefits to their members. If one union succeeds in getting one benefit, the other union persuades management to provide a new one. Thus, the competition among trade unions within an organization results in more and varied benefits.
- **Employer's preference:** Employers also prefer fringe benefits to pay-hike, as fringe benefits motivate the employees to give their best to the organization. It improves morale and works as an effective advertisement.
- **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.
- **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.

### Objectives of Fringe Benefits

The important objectives of fringe benefits are:

3. To create and improve sound industrial relations.
4. To motivate the employees by identifying and satisfying their unsatisfied needs.



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 employees' welfare.
8. To create a sense of belongingness among employees and to retain them. Hence, fringe benefits are called golden handcuffs.
9. To meet the requirements of various legislations relating to fringe benefits.

### **Types of Fringe Benefits**

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

***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.

***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 on any day. In some organizations, the numbers of working hours are less than the legal requirements.

***Paid holidays:*** According to the Factories Act, 1948, an adult worker shall have weekly paid holidays, 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' holidays in a week.

***Shift premium:*** Companies operating second and third shifts, pay a premium to the workers who are required to work during the odd hour's shift.

***Holiday pay:*** Generally organizations offer double the normal rate of the salary to those workers, who work during holidays.



***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.

***Employee security:*** Physical and job security to the employee should also be provided with a view to ensure security to the employee and his family members. When the employee's services get confirmed, his job becomes secure. 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.

***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.

***Lay off compensation:*** In case of lay off, employees are entitled to lay off compensation at the rate equal 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 upto 45 days in a year.

***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 the worker's productive 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, casing of new machinery, prohibition of employment of women and children near cotton openers, hoists and lifts, lifting machines, chains, ropes and lifting tackles, revolving machinery, pressure plant, floors, excessive weight, protection of eyes, precautions against dangerous fumes, explosive or inflammable dust, gas,



etc. Precautions in case of fire, power to require specifications of defective parts or test of stability, safety of buildings and machinery, etc.

**Workmen's compensation:** In addition of safety and health 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 an 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 case of death of the employee.

**Health benefits:** Today various medical services like hospital, clinical and dispensary facilities are provided by organizations 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. Benefits under this Act include:

- **Sickness benefit:** Insured employees are entitled to get cash benefit for a maximum of 56 days in a year under this benefit.
- **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..
- **Disablement benefit:** Insured employees, who are disabled temporarily or permanently (partial or total) due to employment injury and/or occupational diseases are entitled to get the cash benefit under this head.
- **Dependant's benefit:** If an insured person dies as a result of an employment injury sustained as an employee, his dependants who are entitled to compensation under the Act, shall be entitled to periodical payments referred to as dependant's benefit.
- **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 is eligible to claim sickness or maternity benefit or eligible for disablement benefit.

vi. **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 homeopathic dispensaries. Company's elaborate health service programmes include:

Providing health maintenance service, emergency care, on the job treatment care for minor complaints, health counseling, medical supervision in rehabilitation, accident and sickness prevention, health education programmes, treatment in employee colonies, etc.

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

Small organizations which cannot set up hospitals or large organizations (in those places 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.

vii **Welfare and recreational facilities:** Welfare and recreational benefits include: (a) canteens, (b) consumer societies, (c) credit societies, (d) housing, (e) legal aid, (f) employee counseling, (g) welfare organizations, (h) holidays homes, (i) educational facilities, (j) transportation, (k) parties and picnics and (l) miscellaneous.

**Canteens:** Perhaps no employee benefit has received as much attention in recent years as that of canteens. Some organizations have statutory obligation to provide such facilities as Section 46 of the Factories Act, 1948, imposes a statutory obligation to employers 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.

**Consumer stores:** 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 employee's colonies and supply all the necessary goods at fair prices.

**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 money lenders, whereas some organizations provide loans to employees directly.

**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.

**Legal aid:** Organizations also provide assistance or aid regarding legal matters to employees as and when necessary through company lawyers or other lawyers.

**Employee counseling:** Organizations provide counseling service to the employee regarding their personal problems through professional counselors. Employee counseling reduces absenteeism, turnover, tardiness, etc.

**Welfare organizations, welfare officers:** Some large organizations set up welfare organizations with a view to provide all types of welfare facilities at one centre and appoint welfare officers to provide the welfare benefits continuously and effectively to all employee fairly.





**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 employees use this facility for rest and reoccupation in pleasant environment.

**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, 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 rooms and libraries for the benefit of employees.

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

**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.

**Miscellaneous:** Organizations provide other benefits like organizing games, sports with awards, setting up of clubs, community service activities, Christmas gifts, Diwali, Pongal and Pooja gifts, birthday gifts, leave travel concession annual awards, productivity/performance awards, etc.

**Old age and retirement benefits:** Industrial life generally breaks joint family system. The saving capacity of the employees 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.

**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



establishments. Provident Fund Scheme of the act provides for monetary assistance to the employees and/or their dependants during post retirement life. Thus, this facility provides security against social risks and this benefit enables the industrial worker to have better retired life. Employees in all factories under Factories Act, 1948, are covered by the Act. Both the employee and 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 dependants of the employee, in case of death.

21. **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 1.1/3% of employee wage.
- iii. **Deposit linked insurance:** Employees deposit linked insurance scheme was introduced in 1976 under the P.F. 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 balance during the last three years in his account. (The amount should not be less than Rs 1000 at any point of time). Under the employee's deposit linked insurance scheme, 1976 the maximum amount of benefits payable under the deposit linked insurance is Rs 10,000.
- iv. **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 establishments 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 up to 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 thereof 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.

- v. **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 not in service.

Fringe benefits are one of the means to ensure, maintain and increase the material welfare of employees. The physical and mental strain of workers in an industry is considerably alleviated by tax benefits through creating an environment that keeps them from fatigue and monotony. Employees who get fringe benefits are stimulated to give out their best so as to increase productivity and to develop a sense of belongingness to the organization. But research studies could not establish any relationship between the amount spent on fringe benefits and level of productivity.

All organizations may not provide all the benefits discussed earlier due to the financial stringencies. Moreover the list of benefits given earlier is not exhaustive one and some organizations provide different benefits which are not included in the list owing to their need and the financial ability of the organizations.

Human resource management is not complete with the salary administration. It should also deal with human aspects of personnel management. Human aspects of personnel management include understanding and maintaining human relations. Hence, understanding and maintaining human relations can be treated as a function of Human Resource Management.



### 11.3 Check your Progress

- 1.....is the allowance paid to employees in order to enable them to face the increasing dearness of essential commodities. It serves as a cushion, a sort of insurance against increase in price levels of commodities.
- 2..... provides a mechanism through which certain eligible employees may purchase the stock of the company at a reduced rate.
- 3..... extra benefits provided to employees in addition to the normal compensation paid in the form of wage or salary.
- 4.....wage sufficient to sustain and preserve the efficiency of the worker and to provide him basic amenities.
- 5..... is the amount of remuneration for a unit of time excluding in centres overtime pay etc.

### 11.4 Summary

Compensation is what employees receive in exchange for their contribution to the organization. Compensation forms such as bonuses, commissions and profit sharing plans are incentives designed to encourage employees to produce results beyond normal expectation. Benefits such as insurance, medical, recreational, retirement, etc., represent a more indirect type of compensation. Job analysis offers valuable information for developing a compensation system in terms of what duties and responsibilities need to be undertaken. The worth of a job to the organization is as ascertained through job evaluation.

The term 'Allowances' includes amounts paid in addition to wages over a period of time including holiday pay, overtime pay, bonus, social security benefit, etc. Employee compensation may be classified into two types – base compensation and supplementary compensation. Base compensation refers to monetary payments to employees in the form of wages and salaries. The term 'wages' implies remuneration to workers doing manual work. The term 'salaries' is usually defined to mean compensation to office, managerial, technical and professional staff.



The Government has adopted various methods to regulate wages in India such as prescribing minimum rates of wages, regulating payment of wages, settlement of wage related disputes through adjudication process, setting of wage boards, etc. Bonus is a deferred wage payment which aims at bridging the gap between the actual wage and the need based wage.

The economic theory of human capital says that the compensation of a worker should be equal to his marginal productivity. The productivity of an executive, likewise, depends on his qualifications, job knowledge, experience and contribution. Indian companies usually structured executive compensation along the following factors: salary, bonus, commission, PF, family pension, superannuation fund, medical reimbursement, leave travel assistance, house rent allowance and other perquisites.

In the present context, human resource has become a scarce asset. Thus, organizations are doing more than pay them their salaries or wages. They are attracting and motivating them with a string of incentive payments and fringe benefits. The lesson introduces various methods of remuneration based on the rate system or results oriented. Various incentive plans are also discussed in detail. In addition, the concept of fringe benefits and different types of fringe benefits are also presented. The rising popularity of employee stock options has also been highlighted in the lesson.

### 11.5 Keywords

- **Compensation:** It is what employees receive in exchange for their contribution to the organization.
- **Incentives:** Motivations devices used to encourage special work effort such as bonuses or commissions.
- **Wage Rate:** It is the amount of remuneration for a unit of time excluding in centres overtime pay etc.
- **Minimum Wage:** Wage sufficient to sustain and preserve the efficiency of the worker and to provide him basic amenities.
- **Employee Stock Option Plan:** It provides a mechanism through which certain eligible employees may purchase the stock of the company at a reduced rate.



- **Fringe Benefits:** Extra benefits provided to employees in addition to the normal compensation paid in the form of wage or salary.

### 11.6 Self-Assessment Test

1. What is pay structure? How is it designed?
2. What are the factors influencing wage structure?
3. Define and differentiate between living wage and minimum wage.
4. Explain the various methods of fixing wages and salaries in an organization.
5. How does effective compensation management help an organization achieve its strategic objectives?
6. Critically examine the components of a compensation package in organized industry in India.
7. What are the principal objectives of wage and salary administration? What factors should be taken into account while deciding executive compensation?
8. What do you understand by wage incentive plans? Describe the prerequisites of a sound wage incentive plan.
9. What are the basic methods of wage payment? Explain their merits and demerits briefly.
10. What do you mean by 'fringe benefits'? Explain the need for fringe benefits. Describe the various types of fringe benefits offered to employees in India.
11. During the last couple of years, the cost of benefits has risen faster than wages and salaries in India. How do you explain that trend?

### 11.7 Answers to check your Progress

1. Dearness Allowance
2. Employee Stock Option Plan
3. Fringe Benefits
4. Minimum Wage
5. Wage Rate



## 11.8 References/Suggested Readings

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<b>JOB EVALUATION</b>	

## STRUCTURE

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### 12.2 Introduction

#### 12.2.1 Features of Job Evaluation

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### 12.8 References/Suggested Readings

## 12.1 Learning Objectives

This lesson highlights the Features of Job Evaluation. It explains Job Evaluation Methods. It examines Limitations of Job Evaluation.





After reading this lesson, students will be able to:

- Describe the Features of Job Evaluation
- Explain Job Evaluation Methods
- Identify the Limitations of Job Evaluation

## 12.2 Introduction

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

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

### 12.2.1 Features of Job Evaluation

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

- ☐ It tries to assess jobs, not people.
- ☐ The standards of job evaluation are relative, not absolute.
- ☐ The basic information on which job evaluations are made is obtained from job analysis.
- ☐ Job evaluations are carried out by groups, not by individuals.
- ☐ Some subjective element is there in job evaluation.
- ☐ Job evaluation does not fix pay scales, but merely provides a basis for evaluating a rational wage structure.



### 12.2.2 Process of Job Evaluation

The process of job evaluation involves the following steps:

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



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

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

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

- Compensable factors should represent all of the major aspects of job content. Compensable factors selected should (a) avoid excessive overlapping or duplication; (b) be definable and measurable; (c) be easily understood by employees and administrators; (d) not cause excessive installation or administrative cost; and (e) be selected with legal considerations in mind.
- Operating managers should be convinced about the techniques and programme of job evaluation. They should also be trained in fixing and revising the wages based on job evaluation.
- All the employees should be provided with complete information about job evaluation techniques and programme.
- All groups and grades of employees should be covered by the job evaluation programme.
- The programme of and techniques selected for job evaluation should be easy to understand by all the employees.
- Trade unions acceptance and support to the programme should be obtained.

Experts have advanced certain guidelines for conducting the job evaluation programme in a systematic way:

- Rate the job-not the person or employee on the job.
- Strive to collect all the facts accurately.
- Look especially for distinguishing features of jobs and for relationships to other jobs.
- Study jobs independently and objectively, and then discuss views thoroughly and open-mindedly before reaching final decisions.
- Job evaluation must be conducted systematically, based on factual and accurate information.



- The results of job evaluation must be fair and rational and unbiased to the individuals being affected.

**Benefits:** The pay offs from job evaluation may be stated thus:

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

### 12.2.3 Job Evaluation Methods

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

#### Ranking Method

Perhaps the simplest method of job evaluation is the ranking method. According to this method, jobs are arranged from highest to lowest, in order of their value or merit to the organizational. Jobs also can be arranged according to the relative difficulty in performing them. The jobs are examined as a whole rather than on the basis of important factors in the job; and the job at the top of the list has the highest value and obviously the job at the bottom of the list will have the lowest value. Jobs are usually ranked in each department and then the department rankings are combined to develop an organizational ranking. The variation in payment of salaries depends on the variation of the nature of the job



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

### **Classification Method**

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

***Class I - Executives:*** Further classification under this category may be Office Manager, Deputy office manager, Office superintendent, Departmental supervisor, etc.

***Class II - Skilled Workers:*** Under this category may come the Purchasing assistant, Cashier, Receipts clerk, etc.

***Class III - Semiskilled Workers:*** Under this category may come Stenotypists, Machine-operators, Switchboard operator etc.

***Class IV - Semiskilled Workers:*** This category comprises Daftaris, File clerks, Office boys, etc.

The job classification method is less subjective when compared to the earlier ranking method. The system is very easy to understand and acceptable to almost all employees without hesitation. One strong point in favour of the method is that it takes into account all the factors that a job comprises. This system can be effectively used for a variety of jobs. The weaknesses of the job classification method are:

- Even when the requirements of different jobs differ, they may be combined into a single category, depending on the status a job carries.
- It is difficult to write all-inclusive descriptions of a grade.
- The method oversimplifies sharp differences between different jobs and different grades.



- When individual job descriptions and grade descriptions do not match well, the evaluators have the tendency to classify the job using their subjective judgments.

### **Factor Comparison Method**

A more systematic and scientific method of job evaluation is the factor comparison method. Though it is the most complex method of all, it is consistent and appreciable. Under this method, instead of ranking complete jobs, each job is ranked according to a series of factors. These factors include mental effort, physical effort, skill needed, responsibility, supervisory responsibility, working conditions and rather such factors (for instance, know-how, problem solving abilities, accountability, etc.). Pay will be assigned in this method by comparing the weights of the factors required for each job, i.e., the present wages paid for key jobs may be divided among the factors weighted by importance (the most important factor, for instance, mental effort, receives the highest weight). In other words, wages are assigned to the job in comparison to its ranking on each job factor. The steps involved in factor comparison method may be briefly stated thus:

- Select key jobs (say 15 to 20), representing wage/salary levels across the organizational. The selected jobs must represent as many departments as possible.
- Find the factors in terms of which the jobs are evaluated (such as skill, mental effort, responsibility, physical effort, working conditions, etc.). Rank the selected jobs under each factor (by each and every member of the job evaluation committee) independently.
- Assign money value to each factor and determine the wage rates for each key job.
- The wage rate for a job is apportioned along the identified factors.
- All other jobs are compared with the list of key jobs and wage rates are determined.

### **Point method**

This method is widely used currently. Here, jobs are expressed in terms of key factors. Points are assigned to each factor after prioritizing each factor in order of importance. The points are summed up to determine the wage rate for the job. Jobs with similar point totals are placed in similar pay grades. The procedure involved may be explained thus:



- Select key jobs. Identify the factors common to all the identified jobs such as skill, effort, responsibility, etc.
- Divide each major factor into a number of sub factors. Each sub factor is defined and expressed clearly in the order of importance, preferably along a scale.

The most frequent factors employed in point systems are (i) Skill (key factor); Education and training required, Breadth/depth of experience required, Social skills required, Problem-solving skills, Degree of discretion/use of judgment, Creative thinking (ii) Responsibility/ Accountability: Breadth of responsibility, Specialized responsibility, Complexity of the work, Degree of freedom to act, Number and nature of subordinate staff, Extent of accountability for equipment/plant, Extent of accountability for product/materials; (iii) Effort: Mental demands of a job, Physical demands of a job, Degree of potential stress

**Merits and Demerits:** The point method is a superior and widely used method of evaluating jobs. It forces raters to look into all keys factors and sub-factors of a job. Point values are assigned all factors in a systematic way, eliminating bias at every stage. It is reliable because raters using similar criteria would get more or less similar answers. The methodology underlying the approach contributes to a minimum of rating error (Robbins). It accounts for differences in wage rates for various jobs on the strength of job factors. Jobs may change over time, but the rating scales established under the point method remain unaffected.

On the negative side, the point method is complex. Preparing a manual for various jobs, fixing values for key and sub-factors, establishing wage rates for different grades, etc., is a time consuming process. According to Decenzo and Robbins, “the key criteria must be carefully and clearly identified, degrees of factors have to be agreed upon in terms that mean the same to all rates, the weight of each criterion has to be established and point values must be assigned to degrees”. This may be too taxing, especially while evaluating managerial jobs where the nature of work (varied, complex, novel) is such that it cannot be expressed in quantifiable numbers.

#### 12.2.4 Limitations of Job Evaluation

- Job evaluation is not exactly scientific.
- ‘The modus operandi’ of most of techniques is difficult to understand even to the supervisors.



- The factors taken by the programme are not exhaustive.
- There may be wide fluctuations in compensable factors in view of changes in technology, values and aspirations of employers, etc.
- Employees, trade union leaders, management and the programme operators may perceive differently in selecting the compensable factors, in giving weightages or degrees etc.
- The result of job evaluation may not exactly coincide with social evaluations, which in turn, result in employee dissatisfaction.
- Job evaluation is only one among several factors in determining wage level. Sometimes other factors like government policy may dominate the job evaluation.

### 12.3 Check your Progress

1.....is formal process in an organizational whereby each employee is evaluated to find how he is performing.

2.....deals with designing jobs and equipment t fit the physical abilities of individuals.

3. ....is method of job evaluation which ranks employees from highest to lowest.

4.....is method of job evaluation where jobs are classified on identification criteria and the degree to which these criteria exist on the job.

5. ....is method of job evaluation that concentrates on creating certain common job grades based on skills, knowledge and abilities.

6.....is the systematic collection, evaluation and organizational of information about jobs.

7.....is formal process in an organizational whereby each employee is evaluated to find how he is performing.





## 12.4 Summary

The objective of job evaluation is to determine a defensive ranking of jobs on which a rational and acceptable pay structure can be built. Thus, it is very critical for the organization. The lesson deals with the process of job evaluation and essentials for the success of a job evaluation program. It also describes and highlights the distinction between four basic methods of job evaluation, namely: ranking, classification, and factor comparison and point method.

## 12.5 Keywords

- **Job Evaluation:** A systematic way of assessing the relative worth of a job.
- **Performance Appraisal:** A formal process in an organizational whereby each employee is evaluated to find how he is performing.
- **Job Analysis:** The systematic collection, evaluation and organizational of information about jobs.
- **Ranking Method:** A method of job evaluation which ranks employees from highest to lowest.
- **Classification Method:** A method of job evaluation that concentrates on creating certain common job grades based on skills, knowledge and abilities.
- **Factor Comparison Method:** A method of job evaluation where job factors are compared to determine the worth of a job.
- **Point Method:** A method of job evaluation where jobs are classified on identification criteria and the degree to which these criteria exist on the job.
- **Compensable Factor:** A fundamental compensable element of a job, such as skills, effort, responsibility and working conditions.
- **Wage Curve:** Shows the relationship between the value of the job and the average wage paid for this job.
- **Employee Compensation:** All forms of pay or rewards going to employees and arising from their employment.
- **Benchmark Job:** A job that is used to anchor the employer's pay scale and around which other jobs are arranged in order of relative worth.
- **Ergonomics:** Deals with designing jobs and equipment to fit the physical abilities of individuals.



## 12.6 Self-Assessment Test

1. What is job evaluation? Explain the objectives of job evaluation. How do you prepare the ground for evaluating jobs?
2. What are the conventional and non-conventional techniques of job evaluation? What type of technique would you adopt to evaluate the jobs of Engineer (Maintenance), Engineer (Marketing) and Chief Engineer in a large machines tools industry?
3. What are the quantitative and non-quantitative techniques of job evaluation? Which type of techniques do you adopt to evaluate the job of Officer (Agriculture), Officer (Large Industry), Officer (Small Scale Industry), Economic Officer and General Officer in a large commercial bank? "Job evaluation does not usually price jobs." Discuss.
4. Explain the advantages and limitations of job evaluations as a basis for fixing and revising wages and salaries.
5. Explain different techniques of job evaluation. What are the advantages and disadvantages of each technique?
6. How can a job evaluation programme be made more effective?

## 12.7 Answers to check your Progress

1. Performance Appraisal
2. Ergonomics
3. Ranking Method
4. Point Method
5. Classification Method
6. Job Analysis
7. Performance Appraisal

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<b>Subject: : Human Resource Management</b>	
<b>Course code: MBA-202</b>	<b>Author: Dr Suresh Kumar Bhaker</b>
<b>Lesson no. : 13</b>	<b>Vetter: Prof. Anil Kumar</b>
<b>EMPLOYEE WELFARE AND INDUSTRIAL RELATIONS</b>	

## STRUCTURE

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### 13.1 Learning Objectives

This lesson describes the concepts of employee welfare and industrial relations, explains the different employee's welfare approaches and highlights importance and historical development of labour welfare in India. Further it identifies the statutory welfare benefits and non statutory benefits and explains the employee's welfare related Acts in India and examines the scope and objectives and importance of Industrial Relations (IR).

After reading this lesson, students will be able to:

- Describe the concepts of employee welfare and industrial relations
- Explain different employees welfare approaches
- Highlight the importance and historical development of labour welfare in India
- Identify the statutory welfare benefits and non statutory benefits
- Explain the employees welfare related Acts in India
- Examine the Scope and objectives and Importance of Industrial Relations

### 13.2 Introduction

The term “Welfare” refers to a state of living of an individual or a group in the context of his physical, social and psychic environment. The concept of labour welfare has undergone considerable change. The Social and economic development of the country has to be towards the enactment of labour welfare and labour protective legislations from time to time. An individual's adjustment to his environment is



required for his existence in the industrial world in the changing scenario especially after Corona pandemic throughout the world.

A worker is paid for the types of his services but payment depends on nature of work, his efficiency, capacity of the industry to pay and significance of his work in that particular industry. A worker has to maintain balance not only at workplace but also needs to adjust with the physical working conditions as well as with type of supervision, co-workers, etc.

The acceptance, respect, goodwill, attention and recognition, which a worker gets from his work group, community, family and neighborhood forms an integral part of the modern concept of labour welfare. The capacity of the worker to satisfy his physiological needs like food, clothing and shelter from his pay packet refers to physical concept of labour welfare.

But the economic status governs his social status in modern society; type of food which he can afford, types and quality of dresses which he and his family members wear and nature of house with types of comforts determine his social status.

Every society has its own moral codes and conduct. Purchasing powers of money-wages determine a worker's social status and morals of the society govern his day-to-day behaviour. Thus welfare is a total concept. Totalitarian concept on the other hand, concept of labour welfare differs from society-to-society, country-to-country and it also changes with changing time.

So it is difficult to decide minimum and maximum condition of labour welfare. Whatever are the minimum requirements for western workers might be the maximum for developing country's workers. Similarly, whatever is the minimum for officers might be the maximum for lower cadre workers? Needs of young workers may differ from those of old workers?

Even for same workers needs of welfare are different at different stages of their life.

### **13.2.1 Definitions of Employee Welfare**

In the Encyclopedia of Social Sciences, welfare is defined as – “the voluntary efforts of the employers to establish, within the existing industrial system working and sometimes living and a cultural condition of the employees beyond what is required by law, the customs of the industry and the conditions of the market.”



According to Prof. Kirkaldy. “The whole field of welfare is one in which much can be done to combat the sense of frustration of the industrial workers, to relieve them of the personal and family worries, to improve their health, to offer them some sphere in which they can excel others and to help them to a wider conception of life.”

The Oxford dictionary explains labour welfare as efforts to make life worth-living for workers. On the other hand Chamber’s dictionary explains welfare as a state of faring or doing well; freedom from calamity, enjoyment of health, prosperity, etc.

According to Industrial Labour Organization (ILO), “Labour welfare may be understood and including such services facilities and amenities which may be established in vicinity of undertaking to perform their work in healthy and congenial environment and to avail of facilities which improve their health and bring high morale.”

Further, ILO report speaks of labour welfare as such services, facilities and amenities which may be established outside or in the vicinity of undertakings, to enable the persons employed therein to perform their work in healthy and congenial surroundings and to provide them with amenities conducive to good health and high morale. (ILO, Asian Regional Conference Report-H 1947)

In the second Asian Regional Conference of ILO, it was stated that workers’ welfare may be understood to mean “such services, facilities and amenities which may be established in or in the vicinity of undertakings to enable the persons employed in them to perform their work in healthy and peaceful surroundings and to avail of facilities which improve their health and high morale.”

As per Balfour committee, “Labour welfare refers to the efforts made by the employers to improve the working and living conditions over and above the wages paid to them. In its widest sense it comprises all matters affecting the health, safety, comfort and general welfare of the workmen, and includes provision for education, recreation, thrift schemes, convalescent homes”. It covers almost fields of activities of workers e.g., social, economic, industrial and educational.

According to Labour Investigation Committee. “Anything done for the intellectual, physical, moral and economic betterment of the workers, whether by the employers, by the government or by other agencies over and above what is laid down by law or what is normally expected on the part of the contractual benefits for which worker may have bargained.”



According to N.M. Joshi, “welfare work covers all the efforts which employers take for the benefit of their employees over and above the minimum standards of working conditions fixed by the Factories Act and over and above the provisions of the social legislation providing against accident, old age, unemployment and sickness”.

According to Arthur James Todd, “Labour welfare means anything done for the comfort and improvement, intellectual and social, of the employees over and above the wages paid which is not a necessity of the Industry.”

As per S.T. Edwards “One can buy a man’s time, his physical presence at a particular space, even a few muscular movements, but enthusiasm, initiative, loyalty and devotion to duty cannot be bought. They will have to be created through right employer-employee relations, provision of constructive opportunities for satisfying the major motivating desires of human action.”

Labour welfare implies the setting up of minimum desirable standards of the provision of facilities like health, food, clothing, housing, medical assistance, education, insurance, job security, recreation etc. Such facilities enable the worker and his family to lead a good working life, family life and social life.

Labour Welfare thus embraces in its fold all efforts which have their object of improvement of health, safety welfare and general well-being of the workers. It is confined to those activities which are undertaken statutorily or otherwise, inside the industrial premises or outside by any agency, government, employers which do not come under social insurance conditions, and which lead to improvement in health, efficiency and happiness of industrial workers and their families e.g. recreational, medical, educational, washing, bathing, transport facilities canteens and creches, etc. Thus, the term labour welfare covers not only the workers but also their families.

### 13.2.2 Employees Welfare Approaches

There are various approaches or theories of employees’ welfare. Some of these are:

#### **Policing Approach:**

According to this view, the factory and other industrial workplaces provide ample opportunities for owner and managers of capital to exploit workers by an unfair manner. This may be done by making the labour work for long hours, by paying workers low wages, by keeping the workplaces in an unhygienic





condition, by neglecting safety and health provisions, and by ignoring the provision of elementary human amenities, such as drinking water, latrines, rest rooms and canteens. Clearly, a welfare state cannot remain a passive spectator of this limitless exploitation. It enacts legislation under which managements are compelled to provide basic amenities to the workers.

**Religion Approach:**

This theory has two connotations, namely, the investment and atonement aspects. The investment aspect of the religion theory implies that the fruits to today's deeds will be reaped tomorrow. Any action, good or bad, is therefore treated as an investment. Inspired by this belief, some employers plan and organize canteens and crèches. The atonement aspect of the religion theory implies that the present disabilities of a person are the result of the sins committed by him or her previously. He or she should undertake to do good deeds now too alone or compensate for his or her sins.

**Philanthropic Approach:**

Philanthropy means affection for mankind. The philanthropic theory of labour welfare refers to the provision of good working conditions, crèches and canteens out of pity on the part of the employers who want to remove the disabilities of the workers. Robert Owen of England was a philanthropic employer, who worked for the welfare of his workers. The philanthropic theory is more common in social welfare. Student hostels, drinking facilities, the rehabilitation of crippled persons, donations to religious and educational institutions, and so forth are examples of philanthropic deeds.

**Paternalistic Approach:**

According to the paternalistic theory, also called the trusteeship theory, of labour welfare, the industrialist or the employer holds the total industrial estate, properties and the profits accruing from them, in trust. The property which he or she can use or abuse as he or she likes is not entirely his or her own. He or she holds it for his or her use, no doubt, but also for the benefit of his or her workers, if not for the whole society. For several reasons, such as low wages, lack of education, and so forth the workers are at present unable to take care of themselves. They are therefore, like minors, and the employers should provide for their well-being out of funds in their control. The trusteeship is not actual and legal, but it is moral and, therefore not less real.

**Public Relations Approach:**

As per this approach, welfare activities are provided to create a good impression on the minds of the workers and the public, particularly the latter. The clean and safe working conditions, a good canteen crèche and other amenities, make a good impression on the workers, visitors and the public. Some employers proudly take their visitors round the plant to show well they have organized their welfare activities.

**Functional Approach:**

It is also known as the efficiency theory of labour welfare. The functional theory implies that welfare facilities are provided to make the workers more efficient. If workers are fed properly, clothed adequately and treated kindly, and if the conditions of their work are congenial, they will work efficiency. The welfare work is a means of serving. It means preserving and increasing the efficiency of labour.

**Social Approach:**

The social obligation of an industrial establishment has been assuming great significance these days. The social theory implies that a factory is morally bound to improve the conditions of the society in addition to improving the condition of its employees.

**13.2.3 Importance of Labour Welfare**

**The labour welfare is not only important for management but also for overall health of the industry. Importance of labour welfare is:**

- Improvement of Industrial Relations
- Creation of Permanent Labour Force
- Increase in General Efficiency and Income of Workers:
- Enhancement of the Morale of Workers
- Development of the Sense of Belonging
- Change in Outlook of Employers



- Improvement of the Moral and Mental Health of Workers
- Overall development of the Society.

### 13.2.3 Historical Development of Labour Welfare in India

During the early period of industrial development, efforts towards workers' welfare was made largely by social workers, philanthropists and other religious leaders, mostly on humanitarian grounds. Before the introduction of welfare and other legislation in India, the conditions of labour were miserable. Exploitation of child labour, long hours of work, bad sanitation, absence of safety measures etc., were the regular features of the factory life. The earliest legislative approach could be tracked back to the passing of the Apprentices Act of 1850. This act was enacted with the objective of helping poor and orphaned children to learn various trades and crafts. The next act was the Fatal Accidents Act of 1853 which aimed at providing compensation to the families of workmen who lost their life as a result of "actionable wrong". Earlier attempts at legislation in this country were mainly aimed at regulation of employment.

#### Pre- Independence Era

The movement to improve the working conditions of Indian labour started with the passing of the first Indian Factories Act in 1881. The deplorable conditions in which labour worked in the textile mills in Bombay during those days, as testified by the factory commission of 1875 was the immediate cause for the passing of the Act. Adult labour, however, was not protected in any manner. It was found inadequate in many respects. Anyhow, it recognized the right of the government to safeguard the interests of the workers by means of a suitable legislation.

The Factories (Amendment) Act 1891 applied to all factories employing 50 persons or more. Provisions relating to better ventilation, cleanliness and for preventing overcrowding in factories were also made. The hours of work for children were reduced to six per day. Employment of women between 7.00 pm and 5.00 am was prohibited. Women were allowed to work for eleven hours in a day with one and a half hours rest. Certain provisions were also made for the health and safety of the Industrial workers.

The outbreak of First World War in 1914 led to a number of new developments. During the war years (1914 to 1918) the number of factories and the number of persons employed wherein increased. Wages



did not keep pace with the rising prices and profits. The establishment of the International Labour Organization (ILO) in 1919 was another important land mark in the history of Labour Welfare Movement in our Country. The formation of AITUC (1920), the first central trade union organization in our country, also helped in furthering the cause of welfare movement.

Another milestone in the field of labour welfare was reached with the appointment of Labour Investigation Committee in 1944. The committee was asked to investigate problems relating to wages and earnings, employment, housing and social conditions of workers. It covered different areas in labour welfare such as housing policy, rest and recreation, occupational diseases, relief in the case of old age and death, canteens, medical aid, washing and bathing facilities, educational facilities etc. For the first time in India, this committee highlighted the importance of welfare measures for workers in improving their social and economic life.

### **Post Independence Period**

After independence, the labour welfare movement acquired new dimensions. It was realized that labour welfare had a positive role to play in the increasing productivity and reducing industrial tensions. The emergence of different central trade union organizations – INTUC (1947), HMS (1943), BMS (1955), CITU (1970), NLO etc. gave a further fillip to the growth of labour welfare movement. Mainly on the basis of the recommendations of the Rege Committee, the Government of India enacted the Factories Act 1948. To draft this important piece of legislation the services of W. Garrett were utilized. Thus, the Factories Act of 1948 came into effect from 1<sup>st</sup> April 1949.

Various Labour Welfare Activities were incorporated in different five year plans. The First Five Year plan (1951 to 1956) paid considerable attention to the welfare of working classes. It laid emphasis on the development of welfare facilities, for avoidance of Industrial Disputes and for creating mutual goodwill and understanding. During this period, the Plantations Labour Act, 1951, the Mines Act, 1951, and the Employees' Provident Fund Act, 1952 were enacted.

The Second Five Year plan (1956 to 1961) saw further developments in the field of labour welfare. New enactments were made to cover seamen and motor transport workers. A comprehensive scheme known as Dock Workers (safety health and welfare) scheme was drawn up in 1951. In 1959, the Government



of Assam passed an Act called The Assam Tea Plantations Employees' Welfare Fund Act. This period also saw number of enactments in the field of industrial housing by various state governments.

The Third Five Year plan (1961 to 1966) stressed the need for effective implementation of various statutory welfare provisions. It recommended improvement in working conditions and emphasized greater productivity on the part of workers. Some of the legislative measures during this period include the Maternity Benefit Act 1961, Apprentices Act 1961, and Payment of Bonus Act 1965.

The Fifth five year plan (1974 to 1979) also laid down programmes for labour welfare. For promoting industrial safety in increasing measure, the plan provided for setting up of safety cells in various states. An amount of Rs.57 crores was provided for labour welfare including craftsmen training and employment service.

The Sixth Five Year plan (1980 to 1985) decided to promote special programmes which would also need to be undertaken by the state governments for the benefit of Agricultural Labour, Artisans, Handloom Weavers, Fishermen, Leather workers and other unorganized workers in the rural and urban areas. An outlay of Rs.161.7 crores was proposed for the labour welfare programmes during this year.

In spite of all these efforts, the welfare work in India is still considerably below the standard setup in other countries. However, it has come to stay as an accepted feature of employment conditions and is bound to make rapid progress in the years to come, especially when the Indian Republic is wedded to the ideal of a welfare state with socialistic objectives.

#### 13.2.4 Statuary welfare benefits and Non statutory Benefits

**Statuary welfare benefits:** The statutory welfare benefits schemes include the following provisions:

- **Drinking Water:** At all the working places safe hygienic drinking water should be provided.
- **Facilities for sitting:** In every organization, especially factories, suitable seating arrangements are to be provided.
- **First aid appliances:** First aid appliances are to be provided and should be readily assessable so that in case of any minor accident initial medication can be provided to the needed employee.



- **Latrines and Urinals:** A sufficient number of latrines and urinals are to be provided in the office and factory premises and are also to be maintained in a neat and clean condition.
- **Canteen facilities:** Cafeteria or canteens are to be provided by the employer so as to provide hygienic and nutritious food to the employees.
- **Spittoons:** In every work place, such as ware houses, store places, in the dock area and office premises spittoons are to be provided in convenient places. These need to be maintained in a hygienic condition.
- **Lighting:** Proper and sufficient lights are to be provided for employees so that they can work safely during the night shifts.
- **Washing places:** Adequate washing places such as bathrooms, wash basins with tap and tap on the stand pipe are provided in the port area in the vicinity of the work places.
- **Changing rooms:** Adequate changing rooms are to be provided for workers to change their cloth in the factory area and office premises. Adequate lockers are also provided to the workers to keep their clothes and belongings.
- **Rest rooms:** Adequate numbers of restrooms are provided to the workers.
- **Maternity & Adoption Leave** – Employees can avail maternity or adoption leaves. Paternity leave policies have also been introduced by various companies.
- **Medical-claim Insurance Scheme:** This insurance scheme provides adequate insurance coverage of employees for expenses related to hospitalization due to illness, disease or injury or pregnancy.
- **Sexual Harassment Policy:** To protect an employee from harassments of any kind, guidelines are provided for proper action and also for protecting the aggrieved employee.

#### Non Statutory Benefits

- **Personal Health Care (Regular medical check-ups):** Some of the companies provide these facilities.



- **Telecommuting:** Means virtual Office. Working from home or other place other than company office with the use of IT. Due to spread of Corona virus pandemic throughout the world this practice was adopted by many companies.
- **Flexi-time:** The main objective of the flexitime policy is to provide opportunity to employees to work with flexible working schedules. Flexible work schedules are initiated by employees and approved by management to meet business commitments while supporting employee personal life needs. During Covid-19 spread out throughout the world this practice was adopted more and more.
- **Employee Assistance Programs:** Various assistant programs are arranged like external counseling service so that employees or members of their immediate family can get counseling on various matters.
- **Employee Referral Scheme:** In several companies employee referral scheme is implemented to encourage employees to refer friends and relatives for employment in the organization.

### 13.2.5 Employees Welfare Related Acts in India

There are various Welfare Related Acts effective in India for the regulation of welfare activities of employees. Some of these Acts are listed here:-

- Workmen's Compensation Act, 1923
- Employees' State Insurance Act, 1948
- Employees' Provident Funds & Miscellaneous Provisions Act, 1952
- Maternity Benefit Act, 1961
- Employees' Family Pension Scheme, 1971
- Payment of Wages Act, 1936
- Minimum Wages Act, 1948
- Payment of Bonus Act, 1965
- Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Cess Act, 1976



- Bidi Workers Welfare Fund Act, 1976
- Dock Workers' (Safety, Health & Welfare) Act, 1986
- Labour Welfare Fund Laws (Amendment) Act, 1987
- Trade Unions Act, 1926
- Industrial Employment (Standing Orders) Act, 1946
- Industrial Disputes Act, 1947
- Factories Act, 1948
- Indian Railways Act 1890
- Dock Workers' (Regulation of Employment) Act, 1948
- Merchant Shipping Act, 1958
- Motor Transport Workers' Act, 1961
- Children's (Pledging of Labour) Act, 1933
- Child Labour (Prohibition and Regulation) Act, 1986
- Collection of Statistics Act, 1953
- Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
- Apprentices Act, 1961
- Bidi and Cigar Workers (Conditions of Employment) Act, 1966
- Contract Labour (Regulation and Abolition) Act, 1970
- Equal Remuneration Act, 1976
- Bonded Labour System Abolition Act, 1976
- Sales Promotion Employees' (Conditions of Services) Act, 1976
- Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979





- Emigration Act, 1983
- Building and Other Construction Workers (Regulation of Employment and Conditions of Services) Act, 1996 and the Building and Other Construction Workers Cess Act 1996.
- Shops & Commercial Establishments Act (Central & State Acts)

### 13.2.6 Definitions of Industrial Relations

The **Industrial Relations** or **IR** encompasses the relationship between the management and workmen and the role of a regulatory body to resolve any industrial dispute. As the name implies, Industry Relations comprises of two words, **Industry, and Relations**. Where industry covers the production activity in which the group of workmen is engaged in, while the relations show the relationship between the management and the workers within the industry. IR plays a significant role in today's working scenario where the harmonious relationship between the employers and employees is needed to have an uninterrupted production. J. T. Dunlop defined industrial relations as "the complex interrelations among managers, workers and agencies of the governments".

According to Dale Yoder "industrial relations is the process of management dealing with one or more unions with a view to negotiate and subsequently administer collective bargaining agreement or labour contract".

According to V. Agnihotri, "The term industrial relations explain the relationship between employees and management which stem directly or indirectly from union-employer relationship."

According to V.B. Singh, "Industrial relations are an integral aspect of social relations arising out of employer- employee interaction in modern industries, which are regulated by the State in varying degrees, in conjunction with organized social forces and influenced by prevailing, institutions. This involves a study of the State, the legal system, workers' and employers' organizations on the institutional level; and that of patterns of industrial organization (including management), capital structure (including technology), and compensation of labour force and the forces of market on the economic level."



Industrial relation aims at building a strong relation between the employees and the employer as well as among the employees themselves. A strong industrial relation ensures protection of employee's interest and successful attainment of organizational objectives in smooth and efficient manner.

Armstrong defined industrial relation as “the systems and procedures used by unions and employers to determine the reward for effort and other conditions of employment, to protect the interests of the employed and their employers and to regulate the ways in which employers treat their employees”.

The definition of industrial relation provided by The Encyclopedia Britannica “includes individual relations and joint consultation between employers and workers at their places of work, collective relations between employers and trade unions; and the part played by the State in regulating these relations”.

In the words of Dale Yoder, “The term ‘Industrial Relations’ refers to the relationship between management and employees or among employees and their organizations that arise out of employment.”

According to Tead and Metcalf, “Industrial Relation is the composite result of the attitudes and approaches of the employers and employees towards each other with regard to planning, supervision, direction and co-ordination of the activities of an organization with a minimum of human effort and friction, with an animating spirit of co-operation and with proper regard for the genuine well-being of all the members of the organization.”

According to T.N. Kapoor, “The term ‘Industrial Relations’ should be understood in the sense of labour- management relations as it percolates into a wider set of relationship touching extensively all aspects of labour such as union-policies, personnel policies and practices including wages, welfare and social security, service conditions, supervision and communication, collective bargaining etc., attitudes of parties and governmental action on labour matter.”

In the words of E.F.L. Breach, “Industrial Relations and personnel management are almost synonymous terms with the only difference that the former places emphasis on the aspect of employee relationship rather than on the executive policies and activities that are set up to foster good relations.”



In the words of Bethal, Smith and others, “Industrial Relation is that part of management which is concerned with the manpower of the enterprise — whether machine operative, skilled worker or manager.”

Industrial relation involves maintenance of industrial discipline and peace, efficient handling of industrial unrest and effective participation of employees in goal setting, planning, management of organizational activities and management of industrial disputes.

### **13.2.7 Theoretical Perspective of Industrial Relations**

Industrial relations scholars have described many perspectives but three major theoretical perspectives or frameworks that contrast in their understanding and analysis of workplace relations. The three views are generally known as unitarism, pluralist and radical. Each offers a particular perception of workplace relations and will therefore interpret such events as workplace conflict, the role of unions and job regulation differently. The radical perspective is sometimes referred to as the "conflict model", although this is somewhat ambiguous, as pluralism also tends to see conflict as inherent in workplaces. The radical theories are strongly identified with Marxist theories. However there are more approaches such as systems approach, social action approach, human relations approach, etc. Some of these approaches are:-

#### **Unitary Perspective**

In unitarism, the organization is perceived as an integrated and harmonious system, viewed as one happy family. A core assumption of unitary approach is that management and staff, and all members of the organization share the same objectives, interests and purposes; thus working together, hand-in-hand, towards the shared mutual goals. Furthermore, unitarism has a paternalistic approach where it demands loyalty of all employees. Trade unions are deemed as unnecessary and conflict is perceived as disruptive.

#### **Pluralistic Perspective**

In pluralism the organization is perceived as being made up of powerful and divergent sub-groups - management and trade unions. This approach sees conflicts of interest and disagreements between managers and workers over the distribution of profits as normal and inescapable. Consequently, the role



of management would lean less towards enforcing and controlling and more toward persuasion and coordination. Trade unions are deemed as legitimate representatives of employees. Conflict is dealt by collective bargaining and is viewed not necessarily as a bad thing and if managed could in fact be channeled towards evolution and positive change. The realistic managers should accept conflict to occur. There is a greater propensity for conflict rather than harmony.

### **Marxist Approach**

The Marxist approach looks at industrial relations from a societal perspective. It views industrial relations as a microcosm of the wider capitalist society. The basic assumption of this approach is that industrial relations under capitalism are an everlasting and unavoidable source of conflict. According to this approach, industrial conflicts are the central reality of industrial relations, but open conflicts are uncommon.<sup>15</sup> The Marxist approach views industrial disputes as a class struggle and industrial relations as a politicized concept and an element of the class struggle. As per the Marxist approach, the understanding of industrial relations requires an understanding of the capitalized society, the social relations of production and the mechanism of capital accumulation. The Marxist approach views the power relationship between the two classes, namely, the employer (capital) and the employee (labour), as the crux of the industrial relations. Both classes struggle hard to consolidate their respective positions so that they can have a greater leverage over the other in the process of bargaining. The proponents of this approach perceive that the employers can survive longer without labour than the employees can without work. As far as theory is concerned, the compensation payable to the employees is an outcome of the power struggle. For instance, the employers seek to maximize their profits by paying less compensation to the employees, while the latter resist such attempts, and this resistance results in industrial conflicts. However, the weakness of this theory is that it is narrow in approach as it views industrial relations as a product or outcome of the industrial conflict.

### **Systems Approach**

The system approach was developed by J. P. Dunlop of Harvard University in 1958. According to this approach, individuals are part of an ongoing but independent social system. The behavior, actions and role of the individuals are shaped by the cultures of the society. The three elements of the system approach are input, process and output. Society provides the cue (signal) to the individuals about how



one should act in a situation. The institutions, the value system and other characteristics of the society influence the process and determine the outcome or response of the individuals.

The industrial relations system comprises certain actors, certain contexts, and an ideology, which binds them together and a body of rules created to govern the actors at the workplace and work community. The actors in the system are the managers, the workers and their representatives, and the government agencies.

### **Social Action Approach**

The social action approach of Weber has laid considerable importance to the question of control in the context of increasing rationalization and bureaucratization. It is closely related to Weber's concern related to control in organizations was his concern with "power of control and dispersal". Thus, a trade union in the Weber's scheme of things has both economic purposes as well as the goal of involvement in political and power struggles.

### **Human Relations Approach**

In the words of Keith Davies, human relations are "the integration of people into a work situation that motivates them to work together productively, cooperatively and with economic, psychological and social satisfactions." According to him, the goals of human relations are – (a) to get people to produce, (b) to cooperate through mutuality of interest, and (c) to gain satisfaction from their relationships. The human relations school founded by Elton Mayo and later propagated by Roethlisberger, Whitehead, W. F. Whyte and Homans offers a coherent view of the nature of industrial conflict and harmony.

### **Industrial Sociology Approach**

G. Margerison, an industrial sociologist, holds the view that the core of industrial relations is the nature and development of the conflict itself. Margerison argued that conflict is the basic concept that should form the basis of the study of industrial relations. The author criticized the prevalent approach to industrial relations, which was more concerned with studying the resolution of industrial conflict than its generation; with the consequences of industrial disputes than on their causes.

## **13.2.8 Scope of Industrial Relations**



According to International Labour Organization (ILO), industrial relations include relations between state and employers and relations between trade unions and employers associations.

Besides, these also include – freedom of co-operation among the workers and protection of the right to co-operate, enforcement of rules of the organization, right of collective bargaining, collective settlement, mediation, arbitration and co-operation between officers and employers' associations.

According to Richard A Lester, the scope of industrial relations is no longer confined only to trade unions and industrial management these days, rather it includes all aspects of labour; viz., wages, productivity, social security, management and employees policies. Trade Union policies also form part of it.

In a modern organization, the function of industrial relations is performed by Industrial Relations Department. This function is performed under the supervision of Director, Industrial Relations. In the performance of this function assistance is rendered by different managers and assistants. Different important functions are performed by the staff of Industrial Relations Department.

Some of them are as under:

- Administration of policies and programmes of industrial relations.
- Public Relations.
- Labour Relations.
- Recruitment, selection and placement of laborers.
- Formulation of rules relating to law and order situation within the organization and their explanation.
- Provision of recruitment test, intelligence test, ability test, skill test, etc.
- Provision of training and education programmes.
- Preparing report on performance evaluation and ability evaluation.
- Provide medical and health services.



- Advise in the solution of problems relating to education, trade, health and conduct of the employees.
- Conduct survey on the attitude of the employees.
- Complete record of employment of the employees.
- Conduct research on employees.
- Enforce labour legislations.
- Provide for redressal of employees grievances.
- Provide for collective bargaining and dialogue to minimize labour disputes.
- Prepare and enforce plan regarding compensation and evaluation of individual work performance.

So, the scope of industrial relations seems to be very wide. It includes the establishment and maintenance of good personnel relations in the industry, ensuring manpower development, establishing a closer contact between persons connected with the industry and that between the management and the workers, creating a sense of belonging in the minds of management, creating a mutual affection, responsibility and regard for each other, stimulating production as well as industrial and economic development, establishing a good industrial climate and peace and ultimately maximizing social welfare.

### 13.2.9 Objectives of Industrial Relations

- Create healthy relations between employees and employers.
- Minimize industrial disputes.
- Generate harmonious relations among all concerned with production process.
- Improve the productivity of workers.
- Provide workers their appropriate position by considering them partners and associating them with management process.



- Provide the workers their due profit share; improve their working conditions and thereby eliminating the chances of strikes and lockout etc.

### 13.2.10 Importance of Industrial Relations

Some of the importance of industrial relations is as follows:-

- **Increased Productivity:** With amicable industrial relations both the workers and managers continue to work on their respective position and contribute towards the overall productivity of the firm. Thus, IR ensures the continuity of production.
- **Reduced Industrial Disputes:** An effective IR helps in the reduction of industrial disputes as both the management and the workers maintain harmonious relations with each other and work in unison towards the accomplishment of production objective.
- **Increased Morale:** The peaceful industrial relations boost the morale level of the employees as they feel that their interest coincides with that of the employer's, and their efforts will result in the overall profitability of the firm.
- **Minimization of Wastage:** A good IR ensures reduced wastage as the resources – Man, Machinery and Material.
- **Effective Utilization of Resources:**

Good industrial relation helps in effective utilization of man, money and material. It improves employee morale, industrial peace, recognition of employee's interest and reconciliation of employer's and employee objectives and interest increased production with minimum wastage of resources.

- **Promote Industrial Democracy:**

Industrial democracy means the government mandated worker participation at various levels of the organization with regard to decisions that affect workers. It is mainly the joint consultations that pave the way for industrial democracy and cement relationship between workers and management. This benefits the both. The motivated workers give their best and maximum to the





organization, on the one hand, and share their share of the fruits of organizational progress jointly with management, on the other.

- **Benefit to Workers:**

IR benefits workers in several ways. For example, it protects workers against unethical practices on the part of management to exploit workers by putting them under inhuman working conditions and niggardly wages. It also provides a procedure to resolve workers' grievances relating to work.

- **Benefit to Management:**

IR protects the rights of managers too. As and when workers create the problem of indiscipline, IR provides managers with a system to handle with employee indiscipline in the organization.

Thus, an effective IR is required to ensure higher production at less cost and increased profits. It covers the system, rules, and procedures to protect the interest of the workmen and the employers and to regulate the behavior of the employer i.e. the way he treats his workmen.

### 13.2.11 Parties Involved in Industrial Relations

The different persons holding distinct positions in the organization and the external or internal associations involved in the process of building strong industrial relations can be bifurcated into the following two categories:

#### Primary Parties

Those persons or associations which are directly associated with or influenced by the functions of industrial relations are as follows:

- **Employees**

The workers who provide their services to the organization are an essential resource and contribute to generating the desired output.

- **Employers**

Employers are responsible for providing a favorable work environment for the employees. They have many rights and powers like laying off inefficient employees, taking strategic decisions such as



mergers, acquisition or shutdown of the organization and adapting technological changes in the operations.

- **Government**

Before the 19th century, the government didn't use to intervene in the conflicts between the employer and the employee. However, later on, there was a change in the attitude of the government bodies and these started regulating the industrial relations through labour courts and tribunals,

### **Other Parties**

The parties which impact the industrial relations within an organization are as follows:

- **Employers' Association**

It is an authoritative body, formed to protect the interest of the industrial owners.

- **Trade Unions**

When the workers unite together to form an association and elect a representative among themselves; for the protection of their rights and to raise their demands in front of the management; it is named as a trade union.

- **Courts and Tribunals**

The judiciary includes the 'courts' to resolve the legitimate conflicts and the 'judicial review' to administer the justice of the constitution. These courts and tribunals play an essential role in settlement of industrial disputes

- **International Labor Organization (ILO)**

On the international grounds, an association was formed under the name of International Labor Organization in the year 1919 to set up international norms and standards for dealing with industrial disputes and issues of the workers.

Simultaneously, an International Labor Code (ILC) was set up to establish the recommendations and conventions for minimum international labour standards.



### 13.2.12 Factors Affecting Industrial Relations

Industrial relations deal with human behavior and management of personnel in an organizational setup. The various factors that influence the relationship between the administration and the employees in an organization are as follows:

- **Organizational Structure**

The hierarchical structure creates more formal relationships among the employees belonging to different hierarchical levels in an organization. Also, the delegation and execution of decision-making power by the superior influences the industrial relations between the managers and the employees.

- **Psychological Factors**

An employee's attitude and mentality towards the employer and the given task; and the employer's psychology towards the workers can be positive or negative, which ultimately impacts the employee-employer relationship.

- **Leadership Style**

Every manager possesses certain leadership traits and different style to function even in a formal organization. Through his/her formal or informal ways of generating team spirit and motivating the employees, he/she impacts the organization's industrial relations.

- **Economic and Technical Environment**

To cope up with the changes in the economic conditions or technology, organizations need to restructure the task of the employees including their work duration, conditions and wages; which leads to a difference in their behavior, attitude, adapting spirit, etc. towards the organization and its people.

- **Legal and Political Environment**

The legal framework and political circumstances influence the organization and its industrial relations. It contributes to the framing of rules, rights, authority, powers, roles and responsibilities of all the parties of the organization.

- **Individual behavior**



Every person has a different perception, background, skills, knowledge, experience and achievements which influence an individual's behavior. The employees, therefore, behave differently in different situations, thus impacting the work environment in the organization.

### 13.3 Check your Progress

1. ....may be understood and including such services facilities and amenities which may be established in vicinity of undertaking to perform their work in healthy and congenial environment and to avail of facilities which improve their health and bring high morale.
2. On the international grounds, an association was formed under the name of .....in the year 1919 to set up international norms and standards for dealing with industrial disputes and issues of the workers.
3. The peaceful industrial relations boost the ..... of the employees as they feel that their interest coincides with that of the employer's, and their efforts will result in the overall profitability of the firm.
4. The..... founded by Elton Mayo and later propagated by Roethlisberger, Whitehead, W. F. Whyte and Homans offers a coherent view of the nature of industrial conflict and harmony.
5. The ..... of Weber has laid considerable importance to the question of control in the context of increasing rationalization and bureaucratization. It is closely related to Weber's concern related to control in organizations was his concern with "power of control and dispersal".
6. The ..... was developed by J. P. Dunlop of Harvard University in 1958. According to this approach, individuals are part of an ongoing but independent social system. The behavior, actions and role of the individuals are shaped by the cultures of the society.
7. The .....looks at industrial relations from a societal perspective. It views industrial relations as a microcosm of the wider capitalist society. The basic assumption of this approach is that industrial relations under capitalism are an everlasting and unavoidable source of conflict.



8.....means virtual Office or working from home or other place other than company office with the use of IT. Due to spread of Corona virus pandemic throughout the world this practice was adopted by many companies.

9. In several companies ..... is implemented to encourage employees to refer friends and relatives for employment in the organization.

10. The .....implies that welfare facilities are provided to make the workers more efficient. If workers are fed properly, clothed adequately and treated kindly, and if the conditions of their work are congenial, they will work efficiency.

### 13.4 Summary

The term “Welfare” refers to a staff of living of an individual or a group in the context of his physical, social and psychic environment. The concept of labour welfare has undergone considerable change. Labour welfare implies the setting up of minimum desirable standards of the provision of facilities like health, food, clothing, housing, medical assistance, education, insurance, job security, recreation etc. Such facilities enable the worker and his family to lead a good working life, family life and social life.

Labour Welfare embraces in its fold all efforts which have their object of improvement of health, safety welfare and general well-being of the workers. It is confined to those activities which are undertaken statutorily or otherwise, inside the industrial premises or outside by any agency, government, employers which do not come under social insurance conditions, and which lead to improvement in health, efficiency and happiness of industrial workers and their families e.g. recreational, medical, educational, washing, bathing, transport facilities canteens and crèches, etc. Thus, the term labour welfare covers not only the workers but also their families.

There are various approaches or theories of employees’ welfare such as **Policing Approach, Religion Approach, Philanthropic Approach, Paternalistic Approach, Placating Approach, Public Relations Approach, Functional Approach and Social Approach.**

Employee welfare not only improves industrial relations but also increases in general efficiency and income of workers and enhances the morale of workers. The outbreak of First World War in 1914 led to a number of new developments. During the war years (1914 to 1918) the number of factories and the



number of persons employed wherein increased. After independence, the labour welfare movement acquired new dimensions. It was realized that labour welfare had a positive role to play in the increasing productivity and reducing industrial tensions. The emergence of different central trade union organizations improved the employee welfare schemes.

The employee's benefits in India can be divided into two broad categories as statutory welfare benefits and non statutory benefits. There are various Welfare Related Acts effective in India for the regulation of welfare activities of employees. Some of these Acts are Workmen's Compensation Act, 1923; Employees' State Insurance Act, 1948; Employees' Provident Funds & Miscellaneous Provisions Act, 1952; Maternity Benefit Act, 1961 and Employees' Family Pension Scheme, 1971.

Industrial relation aims at building a strong relation between the employees and the employer as well as among the employees themselves. A strong industrial relation ensures protection of employee's interest and successful attainment of organizational objectives in smooth and efficient manner. Industrial relation involves maintenance of industrial discipline and peace, efficient handling of industrial unrest and effective participation of employees in goal setting, planning, management of organizational activities and management of industrial disputes.

IR creates healthy relations between employees and employers and also minimizes industrial disputes. Industrial Relations generate harmonious relations among all concerned with production process and improve the productivity of workers. It provides workers their appropriate position by considering them partners and associating them with management process.

### 13.5 Keywords

- **Statutory Welfare Benefits:** Means legally provided by Law in India.
- **ILO:** International Labour Organization
- **Employee Referral Scheme:** To encourage employees to refer friends and relatives for employment in the organization.
- **Philanthropic Approach:** Means affection for mankind.
- **Functional Approach:** It implies that welfare facilities are provided to make the workers more efficient
- **Telecommuting:** Means virtual office or working from home or other place by use of IT.



### 13.6 Self-Assessment Test

1. Define employee welfare. Discuss various employees' welfare approaches.
2. Why **labour welfare is important for any organization?**
3. **Examine the** historical development of labour welfare in India.
4. What do you understand by statutory welfare benefits and non statutory benefits?
5. Explain the various employees' welfare related Acts in India.
6. **Define Industrial Relations. Discuss** scope of Industrial Relations.
7. What are the objectives of Industrial Relations?
8. Critically examine the importance of Industrial Relations in India.
9. Discuss role of different parties involved in Industrial Relations.
10. Explain various factors which affect Industrial Relations in India
11. Evaluate various approaches of Industrial Relations.

### 13.7 Answers to check your Progress

1. Labour welfare
2. International Labor Organization
3. morale level
4. human relations school
5. social action approach
6. system approach
7. Marxist approach
8. Telecommuting
9. employee referral scheme
10. functional theory



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<b>Lesson no. : 14</b>	<b>Vetter:</b>
<b>HUMAN RESOURCE AUDIT</b>	

## STRUCTURE

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## 14.1 Learning Objectives

This lesson highlights the Purpose of personnel records. It explains Principles of Record Keeping. It examines Objectives of Human Resources Audit and explains HR Audit Process. It evaluates the Objectives and Techniques of Personnel Research.

After reading this lesson, students will be able to:

- Describe the Purpose of personnel records
- Explain the Principles of Record Keeping
- Identify the Objectives of Human Resources Audit
- Examine HR Audit Process
- Evaluates the Objectives and Techniques of Personnel Research

## 14.2 Introduction

Managers require information on the general health of the Organization under their care from time to time. They require feedback that accurately reflects how well the parts of an Organization are moving. Personnel records and reports enable them in obtaining the requisite information concerning the use of human resources in various departments and divisions. HR Audit helps in finding out the usefulness of personnel programmes and practices followed by the Organization. The inadequacies and deficiencies in personnel programmes could thus be easily traced and rectified promptly.

### Personnel Records and Reports

A record is a piece of writing or a chart which provides ready information and which preserves evidence for future reference or use. Personnel records provide information relating to the use of human resources in an Organization, e.g., personnel history cards, training records, performance records, absence data, turnover records, wage and salary records, etc. Personnel records preserve information in files and documents like cards, papers, video files, audit cassettes, etc.

A report is a statement describing an event, a situation or a happening in a clear manner. It describes clearly as to what has happened or is happening. It provides both qualitative and quantitative information. Personnel records are generally prepared and compiled from reports and are meant for long-term use.



### 14.2.1 Purpose of Personnel Records

Records management is the planned control of records. It includes decision making regarding the retention, transfer, microfilming and destruction of records. More essentially, records management concerns itself with the creation, distribution, maintenance, retention, preservation, retrieval and disposal of records. Records management includes forms, reports, reproduction of written material, filing records, retention, microfilming and related services. The purpose of records management is outlined hereunder:

- ***To keep an orderly account of progress:*** Normally, the purpose of writing down and preserving documents, memoranda, statements – financial or otherwise – is to facilitate the company to assess its progress. This may be labeled as the ‘historical’ function of records, as the history of the business is recounted through records.
- ***To facilitate the preparation of the statement of the true conditions:*** Information presented in the form of records enables the top management to prepare the statement of the true position of the Organization. By updating the records, exact/actual conditions of the company can be revealed.
- ***To enable the making of comparisons:*** Another essential function of records is to facilitate comparison of operations and events between one period and another period of time, between different product lines and different functions. This function is becoming increasingly important to improve the productivity and efficiency of business operations.
- ***To facilitate the detection of errors and frauds:*** Proper records maintenance will go a long way in detecting mistakes, frauds and errors. A well-designed book-keeping system will root out the possibility of embezzlement of money through manipulation of figures. Similarly, wastages can also be detected by proper records management as standards are fixed in terms of unit costs for the items under consideration. Records also act as control devices (tools) in the hands of top management.
- ***Legal requirements:*** Some records are to be maintained to satisfy legal requirements and various statutes. In our country, the Income Tax Act, the Companies Act, the Sales Tax Act, etc., impose restrictions on companies to maintain some records. For instance, the sales records have to be kept



for several years under the Sales Tax Act and the receipts and payment vouchers are to be kept for purposes of income tax under the Income Tax Act.

- **Miscellaneous purposes:** In addition to the above functions, records serve many other purposes such as:

Records serve as a 'memory' of business and can be referred in order to make certain policy decisions.

Records can be used in the hands of arbitrators to settle disputes on some specific issues.

Records serve as an important tool in the hands of top management in controlling the affairs of the modern business and its activities.

### 14.2.2 Principles of Record Keeping

For effective records management, first of all, record keeping must be proper and accurate. The following are the noteworthy points about record keeping:

**Justification:** The purpose of keeping and maintaining records must be justified. Sometimes, factory personnel try to record all information, assuming that the information will be useful at some future date. Such baseless assumption results in recording of unnecessary facts and figures which ultimately leads to a mass of voluminous records that serve no purpose. The records must, therefore, be examined thoroughly in light of the 'principle of purpose' and all useless records must not be preserved at all, as they increase the storing cost alarmingly.

**Verification:** Records must be subject to verification. Records should not be made just on hearsay evidence or rumour as they will then serve no purpose in future. Non-verifiable records, papers, files and documents will not be useful and they provide no evidence in the court of law. Non-verified records do not help in taking wise decisions.

**Classification:** Records must be properly classified so that they are useful to the management. All the facts regarding the business are to be recorded and classified chronologically according to the time and according to the subject.



**Availability of required information:** The very purpose of maintaining records will be defeated if the desired information is not easily available. Records must be kept in such a form, type and shape so that they can be furnished within the shortest possible time.

**Reasonable cost:** Records must be produced and maintained at a reasonable cost. Some managers are hell-bent upon maintaining voluminous records of facts and figures.

### 14.2.3 Objectives of Human Resources Audit

Personnel records and reports provide information regarding the utilization of human resources in an objective way. However, in most cases this is not sufficient. A critical evaluation of manpower programmes might be required to find out the areas where improvements are needed and to set things in order. In place of informal impressions gathered and summarized through records and reports, a systematic and analytical search is made to find out the effectiveness of personnel management. According to Seybold, HR Audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of personnel management. HR Audit covers basically three things:

- Measurement and evaluation of personnel programmes, policies and practices;
- Identification of gap between objectives and results; and
- Determination of what should or what should not be done in future.

#### Objectives of HR Audit

“The basic objective of HR Audit is to know how the various units are functioning and how they have been able to meet the policies and guidelines which were agreed upon; and to assist the rest of the Organization by identifying the gaps between objectives and results, for the end-product of an evaluation should be to formulate plans for corrections of adjustments” (Gray).

The objectives of HR Audit are:

- 7 To review the Organizational system, human resources subsystem in order to find out the efficiency of the Organization in attracting and retaining human resources.
- 8 To find out the effectiveness of various personnel policies and practices.



- 9 To know how various units are functioning and how they have been able to implement the personnel policies and
- 10 To review the personnel system in comparison with organizations and modify them to meet the challenges of personnel management.

### **Types of Personnel Records**

Personnel records include the following:

- Job application and test scores
- Job descriptions and job specifications
- Interview results
- Employment history
- Medical reports
- Attendance records
- Payroll
- Employee ratings
- Training records
- Leave records
- Accident and sickness records
- Grievances, disputes records
- Contracts of employment
- Records to be kept under various statutes

### **Need for HR Audit**

Though there is no legal obligation to audit personnel policies and practices, some of the modern Organizations have accepted it due to certain compelling reasons:



- Increasing size of the Organization and personnel in several Organizations.
- Changing philosophy of management towards human resources.
- Increasing strength and influence of trade unions.
- Changing human resources management philosophy and thereby personnel policies and practices throughout the world.
- Increasing dependence of the Organization on the human resources system and its effective functioning.

#### **14.2.4 Benefits of Human Resources Audit**

The benefits of a human resource management audit may be summarized thus (Davis).

- Identifies the contributions of the HR department.
- Improves the professional image of HR department.
- Encourages greater responsibility and professionalization among members of HR Department.
- Classifies the HR departments' duties and responsibilities.
- Stimulates uniformity of personnel policies and practices.
- Finds critical personnel problems.
- Ensures timely compliance with legal requirements.
- Reduces human resource costs.

#### **Scope of HR Audit**

The scope of HR Audit is very wide. It covers areas like personnel philosophy, policies, programmes, practices and personnel results. The major areas of HR Audit include programming, forecasting and scheduling to meet Organization and personnel needs. The areas of recruitment, selection, careers, promotions, training and development also come within the scope of HR Audit. Further, the areas of leadership, welfare, grievances, performance appraisal, employee mobility, industrial relations are also included within the scope of HR Audit.

#### **Utility of Records**



Several personnel records are used in the process of HR Audit. They include: payroll, total and unit labour cost interview reports, test scores, training records, labour productivity, work stoppage due to strikes, lockout, layoff, accident reports, turnover reports, absenteeism reports, etc.

### 14.2.5 HR Audit Process

The HR Audit should probe much deeper, evaluating personnel policies, programmes, philosophy, practices and concepts comparing with standards and with those of the personnel records of the said Organization and other Organizations. The level and the depth of the investigation should be decided in advance. The process of HR Audit includes:

- Identifying indices, indicators, statistical ratios and gross numbers in some cases.
- Examining the variations in time-frame in comparison with a similar previous corresponding period. Comparing the variations of different departments during different periods.
- Examining the variations of different periods and compare them with similar units and industries in the same region.
- Drawing trend lines, frequency distributions and calculating statistical correlations.
- Preparing and submitting a detailed report to the top management and to the managers at appropriate levels for information and necessary action.

Various personnel policies, procedures and practices can be evaluated by asking various questions of the following type:

- What are they? (i.e., policies, procedures/ practices).
- How are they established?
- How are they communicated to various managers and employers concerned?
- How are they understood by individual employers, supervisors and managers at various levels?
- Are they consistent with the managements' Organizational philosophy and human resource management philosophy?
- Are they consistent with the existing trends towards human resource management and research?





- What are the controls that exist for ensuring their effective and uniform application?
- What measures exist to modify them to meet the Organizational requirements?

### Frequency of Audit

Generally top management thinks of HR Audit only when serious crisis occurs like strikes, increase in the number and/or magnitude of grievances or conflicts, etc. This type of audit is just like post-mortem of the situation. But a regular programme of auditing helps the management to find out some significant trends. The probability of some serious incidents hitting the Organization could be visualized and some remedial steps could be initiated. This ensures smooth running of an Organization in addition to controlling stressful situations, crises and conflicts.

The management has to, therefore, arrange for regular annual audit of almost all the personnel policies and practices. Certain indicators like absenteeism and employees' grievances should be audited at the end of every month/quarter depending upon the magnitude of the issues.

**Types of Audit:** HR Audit may be done either by internal people or by external people. Internal audit is done by the employees in the personnel department. This kind of audit is called internal audit. The audit may be conducted by external specialists or consultants in personnel management. This type of audit is called external audit.

**Audit report:** The auditor has to examine the various personnel reports, personnel policies and practices. Then the auditor has to record his observations, findings, prepare a report compiling his observations and advance useful recommendations for the improvement of personnel management practices. The auditor submits a written report of his findings, conclusions and recommendations. The most common elements of the report are given below.

8. Table of contents
9. Preface
10. Statement of the objectives, methodology, scope and techniques used.
11. A synopsis containing the summary and conclusions of the audit that has been carried out.
12. A clear and in-depth analysis of the data and information, furnished area-wise or department-wise.



13. Evaluation, discussions and analysis. This part covers finding and suggestions offered by the auditor.
14. Appendix – this includes supporting data and information which is not necessary in the main part of the report.

Bibliography – important books and journals which are necessary for future reading are also included at the end.

**Problems in HR Audit:** The rules, systems and regulations for financial audit are well developed. But it is very difficult to audit personnel policies and practices. HR Audit involves with comparison with past ratios, rates of with those of other departments and Organizations. The Organizations cannot be taken as standard for comparison and arrive at a decision. Hence, it is difficult to conduct the HR Audit. There may be a tendency to turn the survey into a fault-finding process. Every employee may then try to pass on the buck. The audit may create more troubles than solutions. The audit has to be done carefully. It must evaluate things in an objective way, find out what has gone wrong and suggest improvements. The emphasis must be on rectifying things rather than fault finding.

#### 14.2.6 Objectives and Techniques of Personnel Research

Personnel Research is the task of searching for and analyzing the facts relating to the end that personnel problems may be solved or principles and laws governing their solution derived. It implies investigation into any aspect of personnel management in a systematic way.

##### Objectives

The main objectives of personnel research are as follows:

- ☐ Measure current conditions in human resource management.
- ☐ Evaluate effects and results of current policies and practices.
- ☐ Discover ways and means of strengthening the abilities and attitudes of employees at a high level and on a continuing basis.
- ☐ Provide an objective basis for revising current programmes and activities.

##### Techniques



Personnel Research is necessary to answer questions about such factors as absence records, safety problems, grievances, wage and salary rates, training executives, recruitment methods, selection techniques, etc. There are many ways to research the status of personnel management in an Organization. Some of the important ones are given below:

***Historical studies:***

In this method past records are examined thoroughly. Exit interviews are conducted to elicit opinions of former employees. In an exit interview people who are leaving the organizations are asked to state problems that caused them to resign. This information is then used to correct problems so that others will not leave.

***Case studies:***

Certain individual situations are closely analyzed to identify issues of importance. It is based on the conclusions drawn from such an analysis, steps to be taken in future are indicated.

***Survey method:***

This method makes use of questionnaires that give employees an opportunity to voice their opinions about specific personnel management activities, e.g., performance appraisal process. Attitude surveys could be conducted to find employees' opinions about their working environments (such as jobs, supervisors, co-workers, Organizational policies practices). Organizational climate surveys could also be undertaken to determine how employees feel about the Organization or specific ways of it.

***Statistical studies:***

These studies include the collection analysis, and interpretation of statistical data. The focus is on qualifications, statistical inference, mean, median, mode, measures of dispersion, trends, correlation, etc., to process the collected data.

***Mathematical models:***

These are used to explain simple as well as complex relationship among variables that are put to examination.

***Simulation methods:***



In this case, a statement of the hypothesis is prepared and a model to simulate the interactions of variables is employed. This method is used to study problems relating to training of personnel, inventory control, collective bargaining, etc.

**Action Research method:** Personnel departments, consultants academic institutions, government agencies are often used to collect information relating to various aspects of personnel management.

Personnel decisions can be improved through personnel research because better information leads to better solutions. “Good personnel management comes through analysing problems and applying experience and knowledge to particular situations” (Mathis and Jackson).

### 14.3 Check your Progress

- 1..... Personnel departments, consultants academic institutions, government agencies are often used to collect information relating to various aspects of personnel management.
2. ....in which a statement of the hypothesis is prepared and a model to simulate the interactions of variables is employed. This method is used to study problems relating to training of personnel, inventory control, collective bargaining, etc.
- 3..... include the collection analysis, and interpretation of statistical data. The focus is on qualifications, statistical inference, mean, median, mode, measures of dispersion, trends, correlation, etc., to process the collected data.
- 4..... makes use of questionnaires that give employees an opportunity to voice their opinions about specific personnel management activities, e.g., performance appraisal process.
- 5..... past records are examined thoroughly. Exit interviews are conducted to elicit opinions of former employees. In an exit interview people who are leaving the organizations are asked to state problems that caused them to resign. This information is then used to correct problems so that others will not leave.
6. .... refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of personnel management.



## 14.4 Summary

The rise of big corporations necessitates the use of tools like HR Audit and research to identify, understand and analyze the human resources. The lesson presents the fundamental principles of record keeping and highlights the significance of personnel records. It also discusses the concept of HR Audit and its scope in various areas and levels of an organization. HR Audit process and frequency of audit are also dealt in the unit. Lastly, the lesson also discusses personnel research as an instrument of personnel management.

## 14.5 Keywords

- **Personnel Records:** Documents and files that offer information relating the use of human resources in an Organization.
- **HR Audit:** A formal research effort to evaluate the current state of personnel management in an Organization.
- **Personnel Research:** Analyses past and present personnel practices through the use of collected data and records.
- **Exit Interview:** People who are leaving the Organization are interviewed and asked to identify problems that caused them to resign.
- **Climate Survey:** It tries to determine how employees feel about the Organization or specific aspects of it.
- **Attitude Surveys:** Systematic methods of finding what employees think about the Organization.

## 14.6 Self-Assessment Test

1. Define the term HR Audit. Describe its objectives and importance.
2. What do you mean by personnel records? Describe their objectives and usefulness.
3. Outline the essentials of a good record keeping system.
4. State the techniques that can be used to carry out personnel research.
5. Write short notes on:
  - Types of Personnel Records



- Personnel Research
- HR Audit Process

### 14.7 Answers to check your Progress

1. Action Research method
2. Simulation methods
3. Statistical studies
4. Survey method
5. Historical studies
6. HR Audit

### 14.8 References/Suggested Readings

- Rao VSP. “*Human Resource Management*”, Excel Books, New Delhi, India.
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- Rao PS. “*Essentials of Human Resource Management and Industrial Relations*”, Himalaya Publishing House, India.
- A.J. Dubrin, Human Resource Management D. Van Northland Co, New York.
- F.K. Faulkes, “The Expanding Role of the HRM Function,” Harvard Business Review.



## NOTES

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